SHELTER AFRIQUE

Financing Affordable Housing for Africa

2021

ANNUAL REPORT

VISION, MISSION & VALUES

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) and African Solidarity Fund (ASF). 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

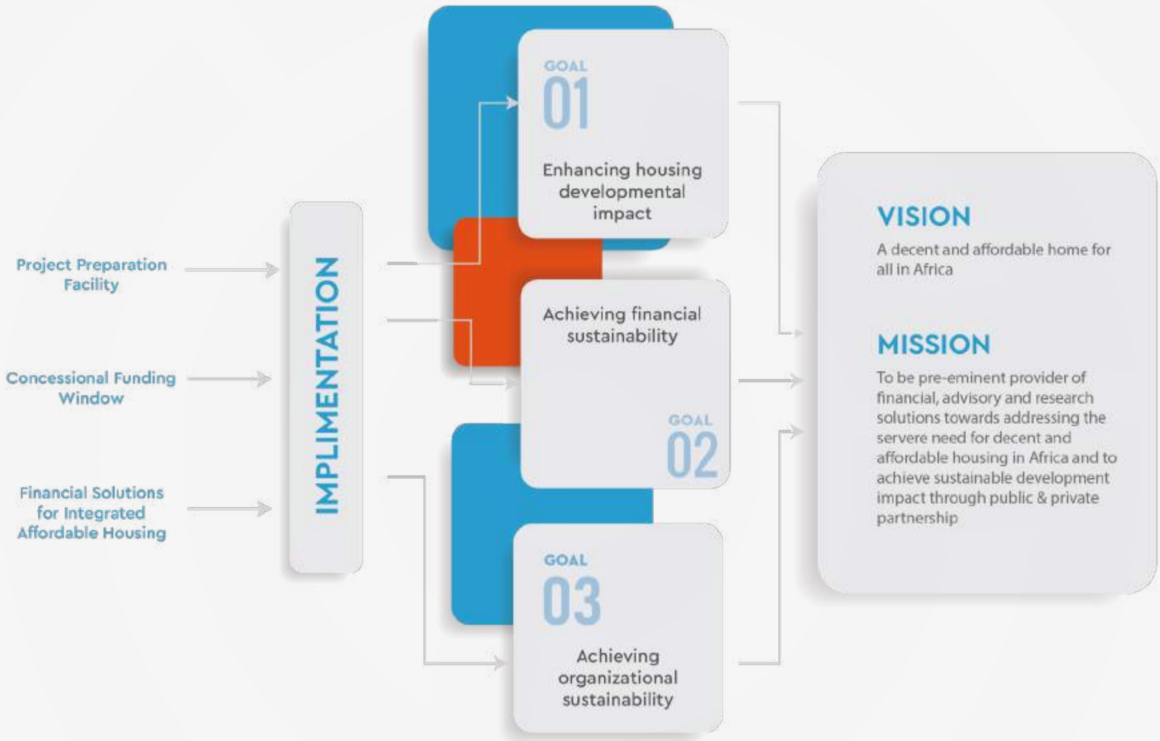
A Decent and Affordable Home for all in Africa.

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.

Values

- Accountability
- Customer centricity
- Teamwork
- Integrity
- Innovation



Project Preparation Facility
Concessional Funding Window
Financial Solutions for Integrated Affordable Housing
IMPLIMENTATION
GOAL 01
Enhancing housing developmental impact
Achieving financial sustainability
GOAL 02
GOAL 03
Achieving organizational sustainability
VISION
A decent and affordable home for all in Africa
MISSION
To be pre-eminent provider of financial, advisory and research solutions towards addressing the servere need for decent and affordable housing in Africa and to achieve sustainable development impact through public & private partnership

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Letter of Transmittal

The Chairperson
General Meeting of Shareholders
Shelter-Afrique

28 July 2021

Dear Mr Chairman,

Per Regulation 9 of the General Regulation of Shelter-Afrique, I have the honour, on behalf of the Board of Directors, to submit herewith the Annual Report and Audited Financial Statements of the company for the period January 1 to December 31, 2021.

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

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

E. KIIZA BITCHERO
CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors

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

Mr Sekou Demba (Mali)
Vice-Chairman of the Board
20/07/2020- Present

Mr Charles Hinga (Kenya)
Group 1
20/07/2018- Present

Mr Nghidinua Daniel (Namibia)
Group 2
20/07/2020- Present

Mr Alain Ouadja Gbati (Togo)
Group 3
24/06/2021- Present

Mdm Mina Azerki (Morocco)
Group 4
20/07/2020- Present

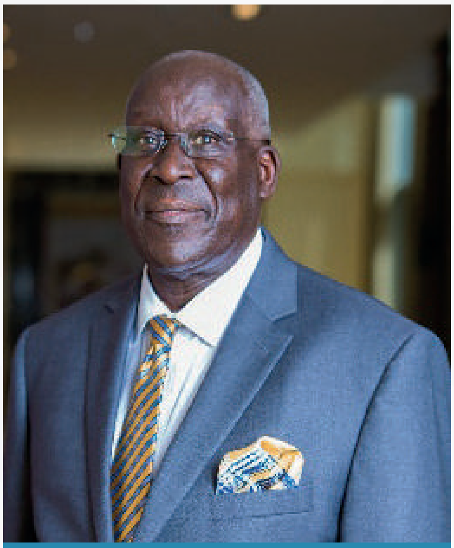
Madame Rose Dibong (Cameroun).

Groupe 5

20/07/2020- À ce jour

Mr Olaitan Komolafe (Nigeria)

Group 6
20/07/2020- Present



Dr Steve Mainda (Kenya)

(Independent Board Director)
20/07/2018- Present

Mr Adebisi Babatunde Sanda (Nigeria)

Independent Board Member
24/06/2021- Present

Dr Chii Akporji (Nigeria)

African Development Bank
17/09/2020- Present

Message from the Chairman of the Board

Message from the Chairman of the Board

E. Kiiza Bitchero
CHAIRMAN OF THE BOARD OF DIRECTORS

Globally, 2021 was the year most economies focussed on recovering from the setbacks of the COVID 19 pandemic. In early 2021, vaccine approvals raised hopes of a turnaround in the pandemic. However, renewed waves and new virus variants posed concerns for the outlook. Amid exceptional uncertainty, IMF projected global economic growth of 5.5% in 2021. African economies were severely impacted. Economic growth in Sub-Saharan Africa (SSA) is projected to have declined from 2.4 per cent in 2019 to an average of -3.6 per cent in 2020, the first recession in SSA in 25 years. A collapse in economic activity in SSA arising from the COVID-19 containment measures and macroeconomic instability will increase poverty and endanger lives and livelihoods.

The COVID 19 Pandemic exposed the fragility of global supply chains and the urgent need to create local capabilities. Most importantly, it has emphasised the need for decent and affordable housing. Shelter Afrique is committed to closing the gap on the large housing deficit on the continent, which will contribute to Africa's recovery, long-term Infrastructure development, and sustainable growth. Globally, Infrastructure development has always been the core of economic recovery amid crises. Housing infrastructure is vital for our continent to achieve sustainable recovery. This fact positions SHAF as a critical player in the delivery of infrastructure development through sustainable housing delivery solutions, taking into account the climate change realities of today.

Over the last two years, COVID-19 has pushed most African countries into a sharp GDP contraction. The continuous lockdown restrictions have crippled many local industries with no potential to recover. This contraction has led to the closure of thousands of businesses over the continent and millions of job losses and, subsequently, a sharp decline in household income and consumer spending. 2021 saw most economies easing on COVID 19 restrictions and the resumption of commercial activities. Along with the rest of the world, Africa has embraced the new reality of agile working and relying more on technology to bridge the gap.

Message from the Chairman of the Board (Continued)

Members of the Board presenting the 2020 Financial Report to the Press

Performance Highlights

Despite the COVID-19 pandemic's unforeseen challenges over the last two years, I am proud of the transformational organisational actions taken by the Management of Shelter Afrique and how the business' resilience has enabled SHAF to survive the turbulence. Our 2021 financial performance is a true reflection of SHAF's intentional focus on driving operational efficiency.

Completing the Debt Restructuring Agreement(DRA) in 2020 and subsequent prepayment of all outstanding DRA debt in June 2021 (US$35 million) significantly triggered the Company's ability to resume its lending business. The DRA lenders included six Development Finance Institutions (DFIs) and two commercial banks, namely the African Development Bank, the European Investment Bank, Agence Francaisse du Development, KFW, West African Development Bank (BOAD), Islamic Development Bank, NCBA and Ghana International Bank. The conclusion of the DRA has allowed the Company to commence fundraising from the financial markets and member states in support of new business opportunities.

As part of our plans to contract new debt and underwrite new business, Shelter Afrique has returned to the Capital markets. In 2021, Shelter Afrique successfully registered a US$500 Million (Naira equivalent) Bond in the Nigerian Debt Capital market to enable the growth of Nigeria's housing sector. The Bond was successfully approved by the Securities and Exchange Commission (SEC) of Nigeria in Q4 2021. The issue is driven by the need to capitalise on directing massive liquidity in pension funds and large institutions into low-cost housing. According to Indicative timelines, we expect to have successfully issued Series 1 (USD100 Million Naira equivalent) of the bond in Q1 2022. This issuance will mark our debut issue in the Nigerian capital market.

Shelter Afrique is keen on continuing its core mandate of providing a full suite of funding solutions for new affordable housing in Africa. Given the above and to expand our footprint over the continent in the short-to-medium term, we plan to establish a Medium Term Note in East Africa and the CFA zone.

Message from the Chairman of the Board (Continued)

Beyond this, we have also met other strategic milestones. I am pleased to report that the Company has posted an operating profit and comprehensive income of US$ 1.81 Million and US$ 1.04 Million, respectively. This profit continues to build on SHAF's commitment to returning to Financial Sustainability, one of the Company's 3 Strategic Goals, along with Enhancing Shareholder Value & Development Impact and Organisational Sustainability.

Our shareholders reaffirmed their commitment to Shelter Afrique's mandate through a capital injection of US$ 24 Million against a conservative target of US$ 17 Million. Regardless of the constrained budgets due to COVID 19, our shareholders remained resolute, and this gives us more determination to continue delivering on our mandate and meet shareholders' expectations.

Future Outlook

As the only pan-African finance institution that exclusively supports the development of the housing and real estate sector in Africa, Shelter Afrique remains committed to building houses, building families and building nations. Despite its devastating effects, the COVID-19 pandemic has also presented an opportunity to deliver decent and affordable housing in Africa actively. The realisation of this opportunity is key for Africa's Post COVID 19 recovery.

I am highly optimistic about SHAF's future direction, and our goals remain underpinned by the three strategic goals of Financial Sustainability, Organisational Sustainability, Development Impact and Shareholder value enhancement. We shall accordingly focus on the following key areas which feed into our strategic goals:

(i) **loan asset growth through quality disbursements;**

(ii) **intensive global financial resources mobilisation;**

(iii) **enhanced corporate governance;**

(iv) **sound enterprise risk management; and**

(v) **continued recruitment of the best fit and agile, motivated Staff complement.**

Appreciation

I would like to express our sincere gratitude to our shareholders for their unwavering support through the continued capitalisation of the Company, with US$ 24 Million received in 2021 against a target of US$ 17 Million. The receipt of these funds was achieved amidst severe fiscal constraints, and we are conscious of this.

I would also like to thank our global lenders for making it possible for the Company to conclude the DRA, and we look forward to continuous engagements to help us deliver on our mandate.

To our valued clientele, current and prospective, I thank you so much for being our partners in this journey of delivering affordable housing for Africa. We are grateful for your continued commitment to a shared vision of affordable housing.

I would like to record my most profound appreciation to my colleagues on the Board for their commitment, dedication, and immense contribution to steering the Company. I want to thank Dr Omodele Jones and Dr Teresa Tufour, who left the Board after many years of dedicated service. I would also like to use the opportunity to welcome our new directors, Mr Alain Gbati Ouadja and Mr Adebisi Babatunde Sanda. They join us as the representative of Group 3 and Independent Director, respectively.

Message from the Chairman of the Board (Continued)

Dr Omodele Jones is awarded for Service from the Board

I am confident that with the continued support of all stakeholders and their collective wisdom, we shall prevail in restoring and sustaining SHAF's noble mandate of delivering affordable housing to our beloved continent.

Finally, on behalf of the Board, I would like to applaud the management team and all staff for their sterling work and a strong commitment to the Company's mandate.

E. Kiiza Bitchero
CHAIRMAN OF THE BOARD OF DIRECTORS

Executive Committee (EXCO)

Executive Committee (EXCO)

Mr Kingsley Muwowo (Zambia)
Acting Managing Director

Mr Alfred Nicayenzi (Burundi)
Chief Operations Officer

Mrs Juliette Kavuruganda (Rwanda)
Company Secretary

Mrs. Beatrice Mburu (Kenya)
Acting Chief Finance Officer

Mr Yankho Chitsime (Malawi)
Head of New Business

Mr Benson Ngare (Kenya)
Acting Head of Internal Audit

Mr Bernard Oketch (Kenya)
Head of Enterprise Risk Management

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

Ms Houda Boudlali (Morocco)
Head of Legal Services

Executive Report

Executive Report

The Acting Managing Director Addressing the FSA Delegation

Over the last year, we have prioritised our 40-year journey; the Memorandum of Understanding that created Shelter Afrique was signed on the 4th of September, 1981. Notably, during the 40th Annual General Meeting and Anniversary held in Yaoundé, Cameroon, this journey was front and centre and culminated in the Yaoundé Declaration.

Beyond the nostalgia and the milestone itself, the moment provided us with an opportunity to recalibrate, but perhaps even more importantly, consider what vision the next 40 years should look have. As a management team, we believe the new journey begins now.

Incidentally, many countries and institutions, especially those in the developing world, are at a point of inflexion. The toll of the pandemic coupled with the effects of the Ukraine-Russia crisis has once again thrown into sharp relief the need for self-sufficiency. Across the developing world and even the developed world, sharp increases in commodity prices have been felt. Africa is in a particularly precarious situation as the crisis threatens food security. For the built environment specifically, there are also implications as Russia is a major exporter of steel, a necessary material in real estate and infrastructure projects.

African consensus-building and solidarity have always been at the heart of many African states' foreign policy. Indeed, it is the spirit behind Pan-Africanism and is at the heart of our mandate as an organisation. The belief that our shared history binds us to common objectives and goals of development and prosperity for the African Continent. The need for multilateralism and cooperation has never been higher; it is on full display by the European Union (EU) and the North Atlantic Treaty Organisation (NATO) as they deal with the Ukraine-Russia crisis. Likewise, African states must also recall themselves to the founding principles of multilateralism. The challenges of the next 40 years and the challenges of the future are all transnational. Providing lasting solutions to security, mass migration, urbanisation, climate change, and unemployment requires global cooperation. The same is true for affordable housing.

Executive Report (Continued)

The 40th Anniversary Cake

Our focus as we chart the next 40 years, specifically over the last year, has been developing smart partnerships and promoting the cause of multilateralism. It is a great merit to our shareholders and not coincidental that during the previous AGM, the shareholders ratified the Yaoundé Declaration. The declaration is a manifestation of African multilateralism on affordable housing. Our member countries and institutional members agreed to a policy framework that addresses issues of leadership and governance, policies, legislation, coordination, land systems, finance and taxation, capacity building, and adoption of new building technologies. It will help shape the policies of member states going forward. The Yaoundé declaration aligns with our strategic goal of improving Shareholder Value; the challenge of the coming years will be the implementation of the declaration objectives, and we are committed to this.

Beyond the declaration, last year, we also welcomed the Fonds de Solidarité Africain (FSA) as our 47th Shareholder and third institutional member. The FSA are an organisation with which we share a common vision and mission, more so our services and products are complementary, and their membership will only serve to improve our offering. It again harks back to our ethos of Pan-Africanism and multilateralism but also speaks to our strategic goals of Financial Sustainability and Organisational Sustainability. An essential part of our strategy is to broaden our capital base and crowd in more investors; this will be a core activity of the Investors Relations department.

In the same vein, during the last financial year, we returned to the Capital Markets not only as a true and tested mode of fundraising but also to addressing foreign exchange risks. With our successful listings across Africa, we prepared for the Nigerian Capital Markets, where we had never listed and received approvals for our debut 40 billion Naira-denominated bond. The Bond will be listed and materialise in the 2022 Financial Year; beyond addressing a critical currency risk; it will also fund a robust pipeline of projects in Nigeria. The successful listing of the Bond will also spur activities in other Capital Markets.

All things considered, the 2021 Financial Year, despite the macroeconomic and social-political environment, is another indication that the turnaround plan recommended by the Board and approved by Shareholders continues to be the North Star on our course to return to stability and viability. In 2021 the Company recorded another modest operating profit of $1.81 million. However, what is more, remarkable than the actual figure is that this is the first time we have recorded a profit in two consecutive years since 2015. As a management team, we are encouraged by this and look forward to the challenge of the coming years.

Executive Report (Continued)

In this integrated report, we have presented the following 2021 reports:

(i) Our strategy,

(ii) The Centre of Excellence on impact,

(iii) Board Operations and Governance.

(iv) Finance and Treasury

(v) Enterprise Risk Management and

(vi) Internal Audit

(vii) Human Resources Management.

There are also other reports detailing different aspects of the business. Naturally, these reports provide high-level information on The Company's operations. It gives me great pleasure to provide hereunder some notable highlights for the Financial Year
2021:-

i) Recorded an operating profit of US$1.81 Million, 235% increase from an operating loss of US$ 1.34 million in 2020.

ii) Received Capital Subscriptions of US$24.83M, 50% increase from the US$16.05M in 2020. This was achieved notwithstanding the severe fiscal limitations placed on our members' national budgets by the continuing COVID-19 pandemic and other national priorities.

iii) Registered a US$500 Million (Naira equivalent) Bond in the Nigerian Debt Capital market to people with a total of 20,769 jobs created across the projects executed comprising 11, 423 and 9,346 direct and indirect jobs. These employment opportunities are the fundamental way we impact livelihoods and improve the quality of life in Africa.

v) SHAF Foundation Covid-19 Relief We provided sanitation materials to the City of Yaoundé in Cameroon and foodstuff and materials to Christ Chapel Children's Home in Kenya.

vi) Successful Completion of the debut SHAF Intern Program
The SHAF Intern program is a structured capacity development corporate initiative under the CoE designed to attract young and talented multi-disciplinary individuals from SHAF member with outstanding academic, leadership and professional qualities. Recruitment began in 2020, and
the programme was completed in 2021.

The SHAF Foundation donated foodstuff and other materials to the Christ Chapel Home for Children in Nairobi, Kenya, on the 4th February, 2021.

Executive Report (Continued)

SHAF INTERNS during their End of Programme Dinner on the 25th November 2021

I would like to thank the shareholders for their support manifested by their capital contributions and continuing interest in finding solutions for Affordable Housing. I would also like to thank the Board for their tireless support and steadfastness.

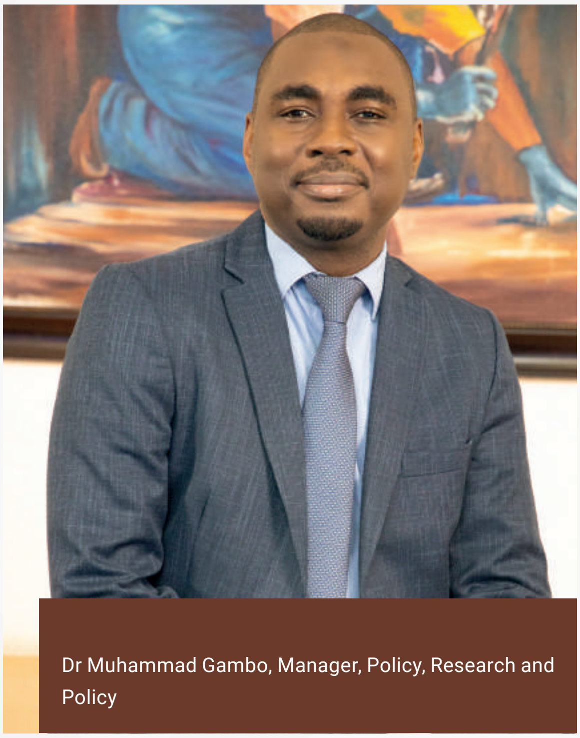
Finally, I thank the Executive Management and committed staff from Shelter-Afrique. They remain the most important asset in the Company because, without their dedicated effort under the oversight of our Board, the current turnaround would not be possible.

I invite you to review the Departmental Reports and Financial Statements for the 2021 Financial Year.

Kingsley Muwowo
AG. Managing Director

Development Impact Report

Development Impact Report



Dr Muhammad Gambo, Manager, Policy, Research and Policy

2021 Impact Indicators

Institutions worldwide continue to strive to deliver impact – be it through jobs, empowering communities, or improving access to core facilities.

There is value in applying these learnings and lessons learnt to future programs and projects to enhance our financing mechanisms – assess the value and, where necessary, re-direct/re-assess the nature of our current strategy.

This impact reporting exercise is particularly crucial following the recently ratified Yaoundé Declaration, where Shelter Afrique, alongside policy makers across Africa, policy experts and professionals in the housing and built environment sectors, committed to enhancing housing delivery across the continent through a range of mechanisms.

In a similar vein, Shelter Afrique being a Development Finance Institution, continually strives to deliver impact through its project and financing activities. This impact report details the responses of our counterparties on a range of topics relevant to the metrics the organisation uses to measure its impact across its various products and services.

With Agenda 2030, the Sustainable Development Goals (SDG), and the New Urban Agenda, The Yaounde Declaration as guiding frameworks, we must constantly assess our strategy as Africa's premier pan-African housing institution to ensure we are meeting our targets and that these targets are in line with the continent's development goals. Given the large housing deficit with which Africa is faced, understanding, and measuring impact must be a core strategy to understand.

Development Impact Report (Continued)

The Shelter Afrique Impact Report uses the following indicators to assess the organisation's impact and business strategy.

- Number of housing units delivered
- Affordability of projects delivered
- Jobs Created through Project Delivery
- Social Sustainability of Projects Delivered
- Women Empowered through Project Delivery
- Environmental Sustainability

Presented below is a highlight of some of the measurements and key indicators.

Assets Created

We recorded a total of 2632 housing units delivered in Q4 2021.

As Africa's foremost housing finance institution, Shelter Afrique strives to deliver impact. This objective is met foremost through the number of units delivered and the number of projects financed across various African countries. In 2021 Shelter Afrique, through its different financing and project mechanisms, provided a total of **2632** projects across **seven** countries.

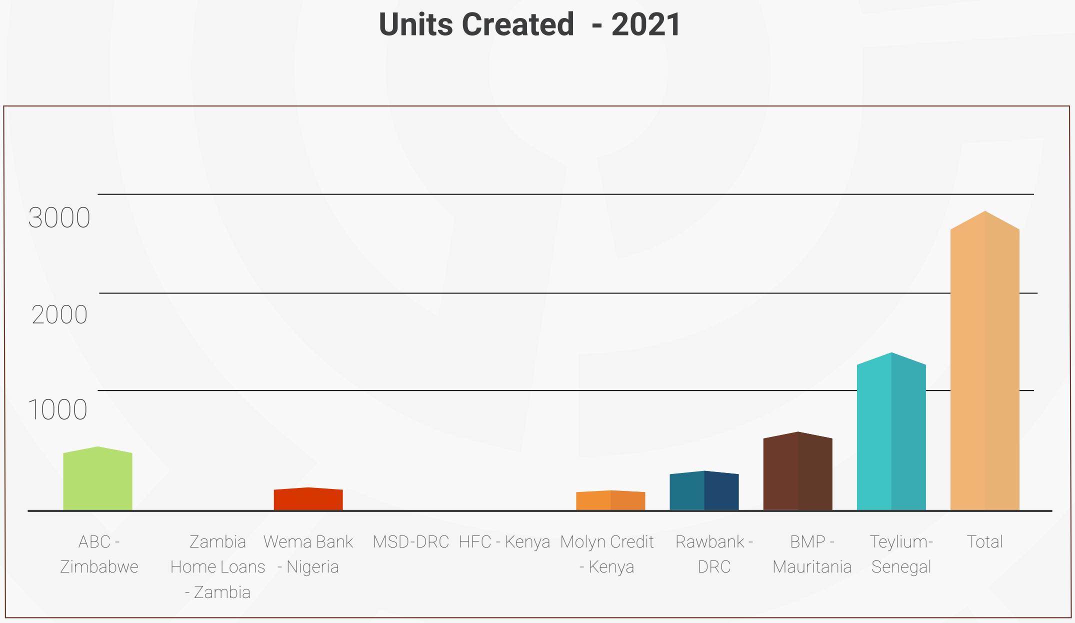


Figure 8 Graphic Representation of Total Houses Created in 2021

Development Impact Report (Continued)

Assets Delivered by Countries

Shelter Afrique delivered **2632 projects across seven countries** in 2021, as shown in Figure 12 below. The spread of Shelter Afrique's projects is in line with its Pan-African reach and well aligned with the current strategic goals of the organisation.

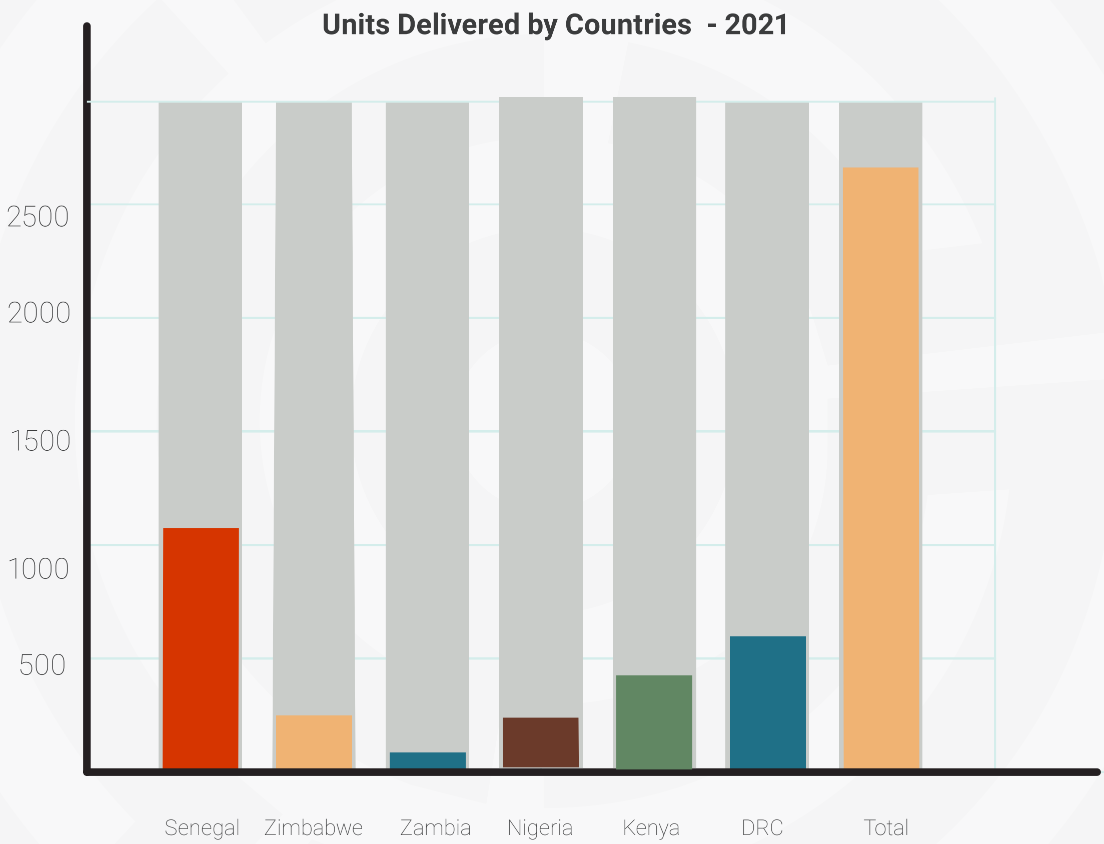


Figure 9 Graphic Representation of Total Houses Created by Countries

Development Impact Report (Continued)

Affordability of Projects Delivered

Affordability is a significant factor in enhancing access to decent and quality housing across Africa. Addressing problems around affordability is key to ensuring lower- and middle-income groups can participate actively in Africa's housing markets. Given the varying nature of policies, laws, and cost of land and construction materials across African countries, it is often difficult to adequately assess issues relating to housing affordability. In this context, Shelter Afrique aims to contribute to the increasing need for housing in Africa continuously. In 2021, the average selling price/mortgage of a housing unit delivered through Shelter Afrique's financing initiatives was $59,443. Figure 13 below shows the average selling price of the housing units in the respective countries.

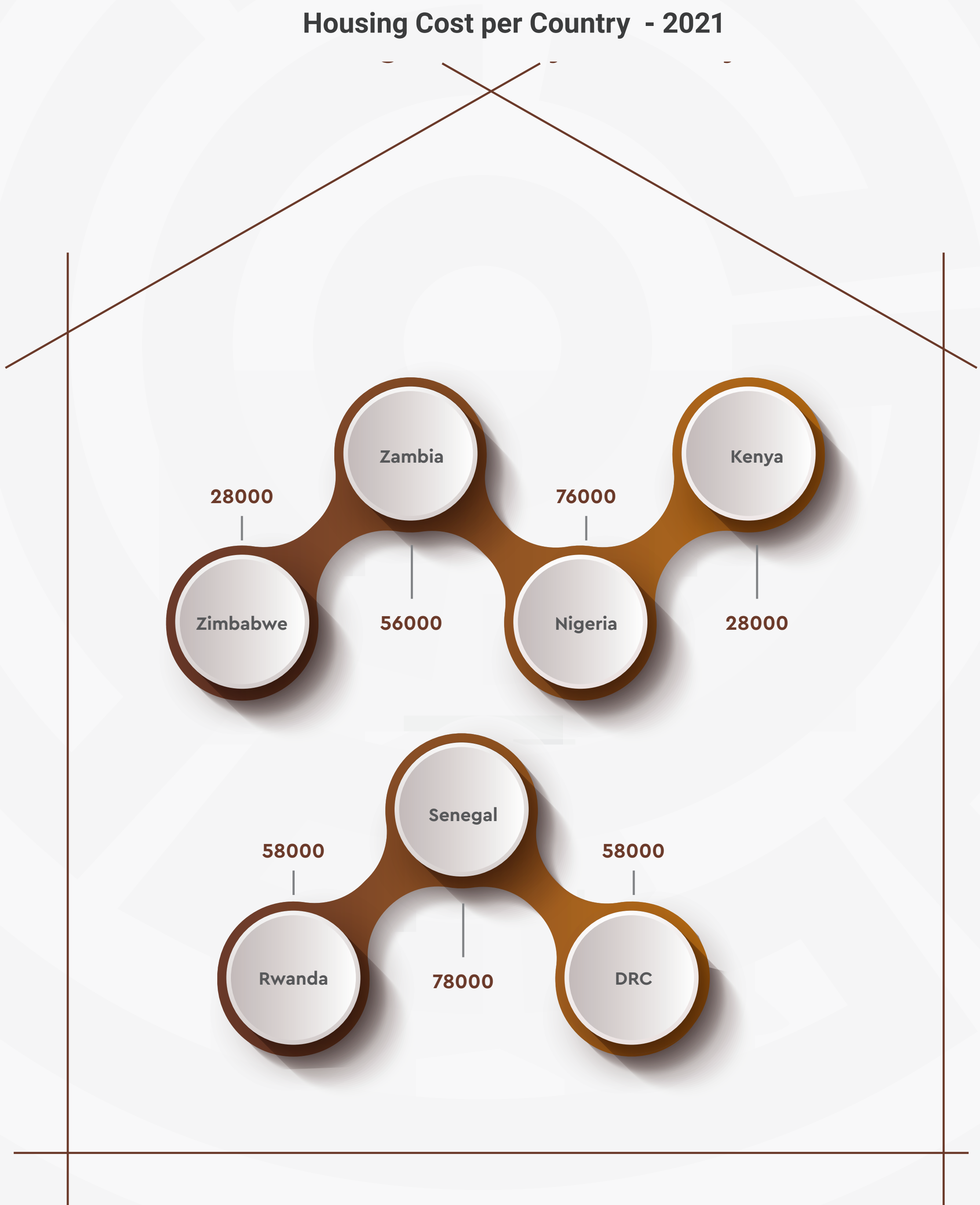


Figure 10 Graphic Representation of housing cost by country-2021

Development Impact Report (Continued)

Jobs Created through Housing Delivery Initiatives

Job creation is one of the linkages that housing development has with the economy. And another fundamental way impact is measured and delivered to our member countries.

Shelter Afrique created 20,769 jobs across the projects executed in 2021. Out of the 20769 jobs created, 11423 were direct jobs, and 9346 were indirect jobs. This breakdown is shown in Figure 14. These jobs constitute employment resulting from construction activity and jobs created as a result of final project delivery. Job creation is part of the organisation's commitment to supporting Africa's social and economic development.

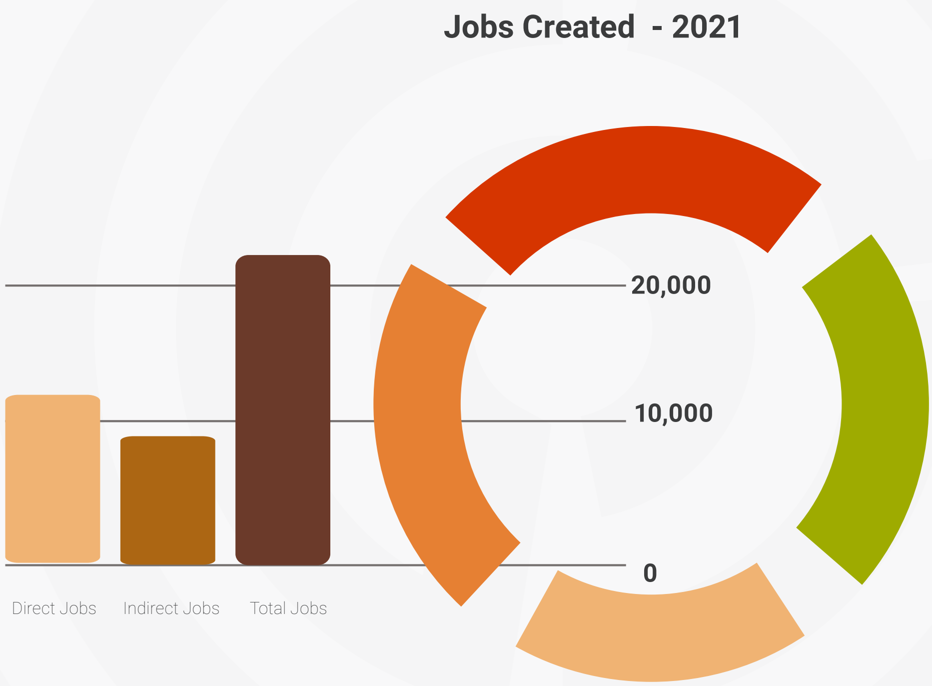


Figure 11 Graphic representation of direct and indirect jobs created in 2021

Development Impact Report (Continued)

Distance of the Housing Development to the Main Road

The location of housing relative to the main road has a direct implication for transport and mobility, and hence accessibility for disadvantaged groups as well as enhancing access to opportunities for women and low-income groups. To ensure this is factored into every housing development, Shelter Afrique seeks to improve access to opportunities through its financing activities and includes in its reports the distance of housing developments to the main road. This indicator is an important measurement for urbanisation and the liveability of housing developments.

The 2021 Impact assessment indicates that the counterparties reported an average distance of 1.5 KM from the main road across all housing developments

Gender Empowerment

SDG 5 focuses on Gender Equality and the need to empower women and girls. The housing value chain provides various means to achieve this goal. This goal can be met through job provision, enhancing credit access to women, and improving women's access to title deeds and home ownership.

As a socially and economically responsive organisation, Shelter Afrique is fully committed to enhancing women's empowerment by ensuring the increased participation of women in the housing delivery initiatives offered by the organisation.

Empowering women is a crucial component in achieving a sustainable future and, more so, a sustainable Africa. Affordable and decent quality housing is a primary condition for the economic and social well-being of women and largely their related households.

Enhancing secure property rights for women can improve women's access to financing and income generation (through rental, sale, use of the home as collateral, and access to employment) and support their role and status in the community.

In 2021, 139 women were empowered with housing units through Shelter Afrique's initiatives.

Development Impact Report (Continued)

The Old Shelter Afrique Buidling

The Centre of Excellence Activities

The vision of the CoE is to be a one-stop platform for R&D, capacity building and advocacy to support affordable housing delivery and urban development in Africa as mandated in the SHAF foundation charter.

The CoE objectives are aligned with the company's strategic goals. They are expected to advance the overall course of Shelter Afrique as a Pan African institution that is charged with the mandate to finance the development of affordable housing. This alignment is related to two key strategic objectives of the company highlighted below:

- Strategic Goal 2: Enhancing shareholders' value and development impact
- Strategic Goal 3: Organisational sustainability

The Head of the Centre of Excellence speaking during a Masterclass Session in Zanzibar in August 2021

Development Impact Report (Continued)

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

CoE Activities Cluster	Deliverables	Timeline
Advocacy	Paticipated in the Franco Africa Property Investment Forum. Themed: From Frontier to an emerging Market destination	June 2021
	Organised the Shelter Afrique Breakfast Session at the 2021 Abuja International Housing Show (AIHS)	July 2021
	Delivered a Presentation at the 2021 IQSK Summit. Title of Presentation: Impact of COVID 19 Pandemic on Construction Project Financing.	October 2021
	Participated in the Roundtable Session for the 2021 World Habitat Day	October 2021
	Participated in the 2021 Nigerian Integrated Social Housing (NISH). Theme: Shelter Afrique and Credit Line for Off-takers in Nigeria	December 2021
Capacity Building	Organised and Delivered the PPP Certification Training and Examinations to Shelter Afrique Staff	March 2021
	Organised the Edge Discovery Workshop with Shelter Afrique Counterparties.	May 2021
	Organised In House Capacity Building Program to Shelter Afrique Staff on Edge Certification	October 2021
Masterclass	Organised the Annual Symposium as part of the Annual General Meeting	July 2021
	Organised the Masterclass in conjunction with the Revolutionary Government of Zanzibar (RGoZ), themed: Exploring Opportunities in Zanzibar's Built Environment for Effective Housing Delivery	August 2021
Research and Development	The Affordability Calculator Project: This study aims to support Shelter Afrique to better address housing affordability issues and improve the targeting and viability of their affordable housing projects in Africa. The project was launched at the 2021 African Union of Housing Finance Conference in Kigali, Rwanda	November 2021
Development Impact Reporting	Conducted Biannual Impact Reporting Exercise	March and September 2021

Report on Investor Relations and Shareholding

Report on Investor Relations and Shareholding

Figure 14
Mrs Kahumbya Bashige, Head Investor Relations

During the year, shareholders continued to demonstrate their support of the institution and its mandate by injecting $24.3M equity into the company. This amount represents 143% of the annual target of USD 17M and 46% growth over the 2020 collections of USD 16.7M.

The Kenyan government was the most significant contributor, with a payment of $ 9.28M accounting for 37% of the total collections. Substantial contributions also came from the Democratic Republic of Congo (16%), Cameroon (14.2%), the United Republic of Tanzania (12.4%) and Mali (8.2%). A breakdown of the funds mobilised is shown below:

	MEMBER COUNTRY	TOTAL USD MILLION
1.	Swaziland	0.32
2.	Rwanda	1.10
3.	Togo	0.58
4.	Mali	2.06
5.	Uganda	0.11
6.	Cote D'Ivoire	0.57
7.	Cameroon	3.53
8.	Kenya	9.28
9.	Democratic Republic of Congo	4.18
10.	United Republic of Tanzania	3.08
11.	Gambia	0.019
	TOTAL	**24.83**

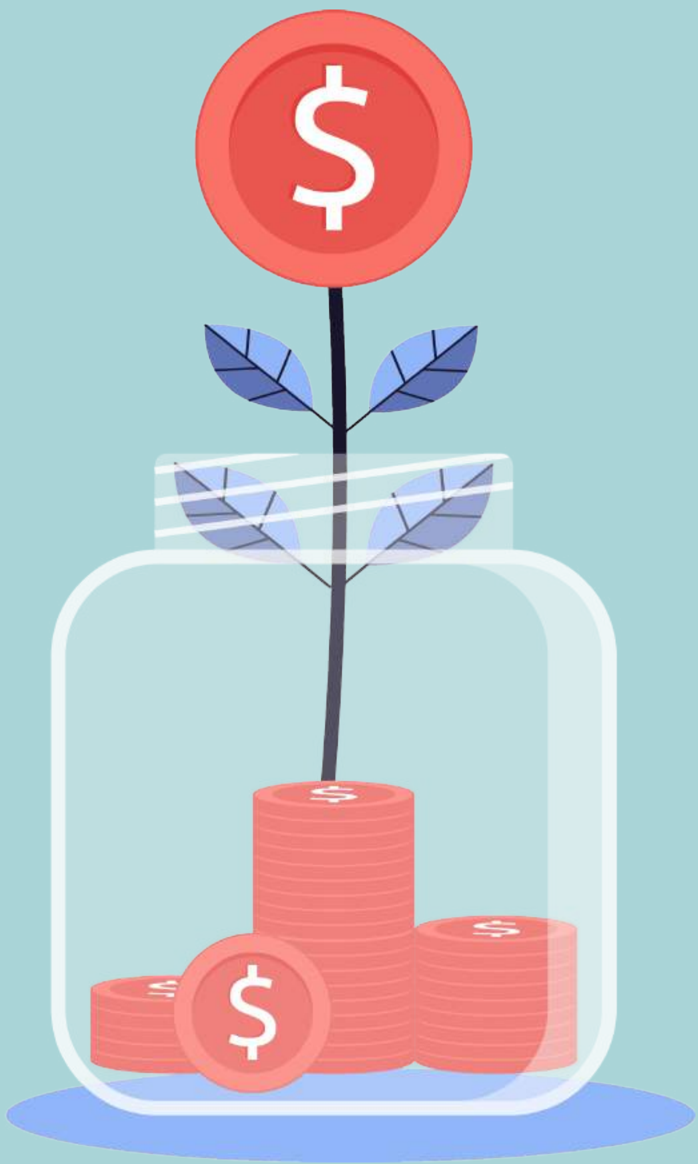
Table 1 Total Contributions from Shareholders 2021

Report on Investor Relations and Shareholding (Continued)

The receipts during the year also led to four shareholders (Togo, Mali, Democratic Republic of Congo and the United Republic of Tanzania) paying their dues fully from the 2013 and 2017 calls. They joined Zimbabwe, Lesotho, Namibia and Morocco, bringing the total number of paid-up shareholders to eight

During the period under review, progress was made with the on-boarding of new shareholders with two potential shareholders, i.e. Fonds de Solidarite Africain and the Republic of South Sudan, signing Instruments of Adherence and pledges of subscription to join the Class B and Class A shareholder groups, respectively. The total amount of equity to be injected from the two shareholders is approximately USD 10M.

The Executive Team from Fonds Solidarite Africain during the Signing of Adherence Ceremony on the 17TH of August 2021



Corporate Governance and Shareholder Relations

Corporate Governance and Shareholder Relations

Mrs Juliette Kavuruganda, Company Secretary

40th Annual General Meeting

In light of the COVID-19 pandemic and its effects, the Board of Directors, at its 128th meeting, adopted holding a virtual AGM subject to circular shareholder approval. The Shareholders of Shelter Afrique approved the holding of the 40th Annual General Meeting and attendant events to be a hybrid event, both virtual and physical. It was hosted by the Republic of Cameroon from 21st to 24th June 2021 in Yaoundé, Cameroon.

The Opening Ceremony of the 40th Annual General Meeting was officiated by the Minister of Transport, Infrastructure, Housing, Urban Development and Public Works, The Republic of Kenya – James W. Macharia, outgoing Chairperson of the 39th AGM Bureau. After that, there was a change of guard in the AGM Bureau following the election of H.E Célestine Ketcha Courtès, Minister of Housing and Urban Development, Republic of Cameroon, as the Chairman of the 40th AGM Bureau. Other elected members were the 1st Vice president of the Bureau, Honourable Daniel Garwe, Minister of the National Housing and Social Amenities, Republic of Zimbabwe and the 2nd Vice President of the Bureau, Honourable Babatunde Fashola, SAN, Federal Minister of Works and Housing of Nigeria.

The general nature of the business transacted included:

- Election of the Chairman and two Vice-Chairmen of the 40th General Meeting.
- Presentation by the Board Chairman.
- Presentation and adoption of the Annual Report, Audited Accounts for 2020.
- Presentation of the Directors' Annual Remuneration.

Corporate Governance and Shareholder Relations (Continued)

The Opening Ceremony of the 40th Annual General Meeting on the 21st of June 2021

- Report and approval of the Remuneration Policy for 2020/2021.
- Presentation of Special Business relating to:
- Appointment of Class "B" Directors representing the African Development Bank.
- Appointment of the External Auditors for the year 2021 and approving their remuneration.

The meeting was quorate with 26 members attending. The following countries and members were in attendance, Cameroon, Togo, Ghana, Kenya, Gabon, DRC, Burkina Faso, Chad, The Gambia, Namibia, Mali, Ivory Coast, Nigeria, Algeria, Senegal, Zimbabwe, AfDB, Rwanda, Liberia, Morocco, Equatorial Guinea, Zambia, Guinea: and passed the following resolutions:

Corporate Governance and Shareholder Relations (Continued)

Table 2 Resolutions of the 40th Annual General Meeting

AGENDA ITEM		PROPOSED RESOLUTION	*C/L
1.	Agenda.	**Ordinary Resolution:** To consider and approve the agenda for the 40th Annual General Meeting.	**Carried:** The agenda was adopted as presented.
2.	Election of the 40th AGM Bureau.	**Ordinary Resolution** To appoint the Chairman and two (2) Vice Chairmen of the 40th Annual General Meeting.	**Carried:** The 40th AGM Bureau was elected as follows: Chairman- Hon. Celestine Ketcha Courtès- Minister for Housing and Urban Development, Cameroon. 1st Vice-Chairman- Hon. Daniel Garwe, Minister for National Housing and Social Amenities, Zimbabwe. 2nd Vice-Chairman- Hon. Babatunde Raji Fashola (SAN), Federal Minister of Works and Housing, Federal The Republic of Nigeria.
3.	Minutes of the 39th AGM held in Nairobi, Kenya, on 17th September 2020.	**Ordinary Resolution** To review and adopt the Minutes of the 39th AGM held in Nairobi, Kenya, on 17th September 2020.	**Carried:** The Minutes of the 39th AGM were adopted by the members as presented.
4.	Annual Report and Accounts for the period ending 31st December 2020.	**Ordinary Resolution** To consider and approve the Annual Report and Audited Financial Statements for the period ending 31st December 2020, with the following recommendations: **a) No payment of dividend** for the Financial Year 2020; and **No allocations** to the Shelter Afrique Foundation for the Financial Year 2020.	**Carried:** The 40th AGM approved the Annual Report and Audited Financial Statements for the period ending 31st December 2020, with the following recommendations: **a) No payment of dividend** for the Financial Year 2020; and **b) No allocations** to the Shelter Afrique Foundation for the Financial Year 2020
5.	Annual Remuneration Report for 2020/2021.	**Ordinary Resolution** To consider and note the Annual Board Remuneration Report for the financial year ended 31st December 2020; and To consider and approve the director's remuneration at the current rates for the year 2021.	**Carried:** The 40th AGM noted the Annual Board Remuneration Report for the financial year ended 31st December 2020; and Approved the director's remuneration at the current rates for the year 2021.

Corporate Governance and Shareholder Relations (Continued)

6.	Appointment of Directors	**Ordinary Resolution:** **1.** To consider and approve the appointment of the Director and Alternate Director representing Class A (Group 1) shareholders. **2.** To consider and approve the appointment of the Director representing Class A (Group 3) shareholders. **3.** To consider and approve the appointment of a new independent director to replace an outgoing, independent director. To consider the reappointment of an independent director for a second term.	**Carried:** The 40th AGM: **a)** Approved the appointment of Mr Charles Mwaura Hinga and Mr Patrick Mwenda Bucha as Director and Alternate Director respectively to represent Group 1 on the Board for three (3) years effective 24th June 2021. **b)** Approved the appointment of Mr Ouadja Kossi Gbati of Togo as Director to represent Group 1 on the Board for a period of three (3) years effective 24th June 2021. **c)** Approved that the elections be conducted for the Alternate Director representing Group 3 at a date and time to be agreed upon by the group members as per the mechanisms available in the Statutes. **d)** Approved the appointment of Mr Babatunde Sanda Adebisi as Independent Director for a period of three (3) years effective 24th June 2021. **e)** Approved the renewal of the contract for Dr Steve Mainda, EBS, to serve as Independent Director for a second and final term of three (3) years commencing 24th June 2021 on similar terms as the previous contract.
7.	Appointment and remuneration of External Auditors.	**Ordinary Resolution** To consider and approve the appointment of M/s PricewaterhouseCoopers as Shelter-Afrique's Auditors for the Financial Years 2021 - 2025 at an initial Core Audit Fee of US$ 50,000 and Capped Reimbursables fee of US$ 2,000, exclusive of taxes. The appointment will be renewed annually subject to satisfactory performance up to a maximum of 5 years in accordance with the Statutes.	**Carried:** The 40th AGM approved the appointment of M/s PricewaterhouseCoopers as Shelter-Afrique's Auditors for the Financial Years 2021 - 2025 at an initial Core Audit Fee of US$ 50,000 and Capped Reimbursables fee of US$ 2,000, exclusive of taxes. The appointment will be renewed annually subject to satisfactory performance up to a maximum of 5 years in per the Statutes.
8.	Amendment of the Statutes of Shelter Afrique.	**Special Resolution** To consider and approve the proposed amendments to the Statutes of Shelter Afrique.	**Carried:** The 40th AGM: **a)** Approved amendment of Article 2 of the Statutes to include the definition of "General By-Laws". **b)** Approved the amendment to Article 15 (f) of the Statutes to adopt the special procedure set out in Regulation 4 of the General regulations TO obtain a vote of Members on a specific question without calling a General Meeting.

Corporate Governance and Shareholder Relations (Continued)

			c) Approved the proposed amendment to Article 23 **a)** to introduce Point (x), where Article 23 (a) (x) will provide that the position of Director shall be vacated if the Director is recalled by His nominating country or institution during his tenure on the Board. **d)** Approved the proposed amendment to Article 20 **h)** The General Meeting will appoint a director to fill a vacancy arising from the recalling of a director by the nominating Member State. The recalling member state will nominate the proposed Director, and before the vacancy is filled, the Alternate Director shall represent the Country Group on the Board. **Lost:** The 40th AGM did not approve the proposed amendment to Annexure- Part I: Election of Class "A" Directors and Alternate Directors to provide that every member shall have one (1) vote for every fully paid-up share. The current provisions of the Statutes relating to 1 member one vote will continue to be applicable.
9.1	New Membership	**Special Resolution** Consider and approve the admission of Fonds de Solidarité Africain (FSA) to the membership of Shelter Afrique as a Class B shareholder.	**Carried:** The 40th AGM: **a)** Approved the admission of Fonds de Solidarite Africain as a Class "B" shareholder by subscribing to Class "B" shares in Shelter Afrique and as the 47th member. **b)** Noted that Fonds de Solidarite Africain has committed itself to pay CFA 1,000,000,000 (approximately USD 1,847,268) of subscribed capital which will be converted to USD on the day of disbursement at the prevailing exchange rate.
9.2	Yaoundé Declaration	Adoption of the Yaoundé Declaration.	**Carried:** The 40th Annual General Meeting adopted the Yaoundé Declaration subject to members' comments in 11.3 of the Minutes.

Corporate Governance and Shareholder Relations (Continued)

10.	Date and Venue for the 41st and 42nd Annual General Meeting.	**Ordinary Resolution:** **a)** Confirm the Republic of Zimbabwe as the host for the 41st Annual General Meeting (AGM) and mandate the Board of Directors to set a date for the 41st AGM. **b)** To evaluate available proposals and confirm the venue for the 42nd AGM.	**Carried:** The 40th AGM: **a)** Confirmed the Republic of Zimbabwe as the host for the 41st Annual General Meeting (AGM) and mandated the Board of Directors to set a date for the 41st AGM. **b)** Noted that the Federal Republic of Nigeria would confirm to the Board of Directors the hosting of the 42nd AGM.
11.	**Executive Session:** Chairman's Report on the PKF Investigations	N/A	The 40th AGM resolved that the Board of Directors should circulate to the shareholders the Reports presented to the Board relating to the PKF investigations by circulation. Thereafter, the shareholders will provide their feedback on the same and a decision made on whether a special meeting of the shareholders will be called to deliberate on the same.

Key legend
****C/L- Carried/Lost***

The 40th Annual General Meeting in Session on the 24th June 2021

Board Meeting and Retreats

Board Meeting and Retreats

The 40th Anniversary Celebrations and Gala Dinner

Board of Directors

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

Board Charter

The Board has adopted a Board Charter that sets out its functions and powers and is complementary to the requirements regarding the Board and Board Members contained in the Statutes and the General By-Laws of Shelter Afrique and the resolutions of the General Meeting. The Charter regulates Board and Committee composition, provides for positions such as Chairperson, Vice-Chairperson and Company Secretary, makes provision for duties and responsibilities of the Board of Directors and stipulates methodology and terms for performance evaluation for the Board. The Charter also lays out guidance on Director induction, development and training, and 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 resolved. The Shareholders approved the Board Charter and its changes at a General Meeting. In 2021, there were no proposed changes to the Board Charter recommended to the General Meeting for approval.

Board Meeting and Retreats (Continued)

A Delegation from the Ministry of Foreign Affairs signs SHAF's Protocol Agreement on 25th May 2021

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 2021 are set out below.

Board Meeting and Retreats (Continued)

Class "A" Shareholders

Item/Group	Title	Names	Country	Term
Group 1	Director	Charles Hinga Mwaura	Kenya	24/06/2021 23/06/2024
	Alternate Director	Patrick Bucha	Kenya	24/06/2021 23/06/2024
Group 2	Director	Nghidinua Daniel	Namibia	20/07/2020 19/07/2023
	Alternate Director	Dorcas W. Okalany	Uganda	20/07/2020 19/07/2023
Group 3	Director	Ouadja Kossi Gbati	Togo	24/06/2021 23/06/2024
	Alternate Director			
Group 4	Director	Mina Azerki	Morocco	20/07/2020 19/07/2023
	Alternate Director	Nejib Snoussi	Tunisia	20/07/2020 19/07/2023
Group 5	Director	Marie-Rose Biyong	Cameroon	20/07/2020 19/07/2023
	Alternate Director	Ahmadou Sardaouna	Cameroon	20/07/2020 19/07/2023
Group 6	Director	Olaitan Komolafe	Nigeria	20/07/2020 19/07/2023
	Alternate Director	George Bombo Bright	Liberia	20/07/2020 19/07/2023
Group 7	Director	Sékou Demba	Mali	20/07/2020 19/07/2023
	Alternate Director	Ousmane Wade	Senegal	20/07/2020 19/07/2023
INDEPENDENT DIRECTORS	Independent Director	Babatunde Adebisi Sanda	Nigeria	24/06/2021 23/06/2024
	Independent Director	Dr Stephen Mainda	Kenya - Serving his 2nd term	24/06/2021 23/06/2024

Table 3 Class Share A Board Representatives and Term of Appointment

Board Meeting and Retreats (Continued)

Class "B" Shareholders

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

Table 4 Shareholder Representatives and Term of Appointment

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 Company's Risk Appetite 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 Committees

The Board has 4 (four) substantive committees, namely the Audit, Risk & Finance Committee, Investment Committee, Human Resource and Governance Committee and the Strategy Committee. The Board committees were established to enable the Board - 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 appropriate 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.

Board Meeting and Retreats (Continued)

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 December 15th, 2021, there was a change in the Board leadership, and Mr Kiiza Bichetero was elected unanimously to become the new Board Chairperson.

Table 5 Shelter Afrique Subcommittees

Following his election, the Board Committees were reconstituted as follows

No.	COMMITTEE	MEMBERS
1.	CREDIT AND INVESTMENT COMMITTEE (CIC)	Director Dr Chii Akporji
		Director Alain Ouadja
		Director Babatunde Sanda
		Director Hinga Mwaura
2.	HUMAN RESOURCES AND GOVERNANCE (HRG)	Director Mina Azerki (Chairperson)
		Director Steve Mainda
		Director Charles Hinga
		Director Olaitan Komolafe
3.	AUDIT, RISK AND FINANCE COMMITTEE (ARF)	Director Nghidinua Daniel
		Director M-Rose Dibong
		Director Sekou Demba
		Director Babatunde Sanda

Table 5 Shelter Afrique Subcommittees

Board Meeting and Retreats (Continued)

Board Operations

The Board Charter regulates board operations. On an annual basis, the Board sets a yearly 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 2021, the Board held its meetings as follows:

No.	MEETING	NUMBER OF MEETINGS	SCOPE OF BUSINESS CONDUCTED
1.	Full Board	4	Strategy, Policies, Finance, Investor Relations, Risk Appetite, Audit & Control Environment, corporate governance, People and Culture and
2.	Audit, Risk and Finance Committee	21	Financial performance, reporting and integrity, Assets & Liabilities management, Internal & External Audit - (findings & recommendations), enterprise risk identification, assessment, management and compliance, and related Policy reviews.
3.	Human Resources and Governance Committee	11	People & Culture, procurements, administration, nominations, remuneration, compensation of both the Board and Staff, ICT Governance, Succession Planning and related Policy reviews.
4.	Investment Committee	4	Credit policy & strategy recommendations, new credit approvals, restructuring, and loan workout strategies as proposed by Management.
5.	Strategy Committee	4	Strategy development, implementation of the strategy, monitoring of the status of Strategy implementation, review of the continued relevance of SHAF vision, mission and values, and monitor the annual progress of the organisation's turnaround.

Table 6 Number of Board Meetings Conducted in 2021

Board Meeting and Retreats (Continued)

Director Independence

The Board always ensures that every director can act independently. On an annual basis, Directors are assessed against set guidelines to ensure they remain independent. In 2021, all Directors remained independent as per established guidelines.

Conflicts of Interest and Related matters

Board members and Management are not allowed to enter related party transactions, which by nature raise conflicts of interest or potential conflicts of interest that have a direct or indirect financial benefit. Any conflicts of interest must be disclosed to the Board of Directors. The Board Charter lays out clear guidelines for dealing with conflicts of interest at the Board level. Board members do not participate in any discussion or decision-making regarding a matter in which they have a conflict of interest.

Directors' Remuneration

The aggregate emoluments paid to Directors for services rendered during the financial year are disclosed in Note 34 to the financial statements for the year ended 31 December 2021. 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 40th AGM held on 24th June 2021.

Induction Program, Training and Education

Upon their 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, operations, and general and specific aspects of the Company's business. An induction programme was undertaken in September 2021 for new directors. The Board of Directors also annually reviews and identifies areas where Board Members require further training or education. The Board approved the Director Development Plan for 2021, which was implemented albeit partially due to company cost rationalisation deemed necessary considering the Covid-19 pandemic.

Performance Evaluation for the Board

On an annual basis, the Board carries out a performance evaluation to assess its performance against set targets. The Board also conducts 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 was postponed to 2022. Five (5) new members joined the Board in July 2020 immediately after the Evaluation, and 2021 was spent implementing the recommendations of the 2020 Board evaluation, and we plan to have an assessment in 2022.

The Bureau of the 40th AGM with Board Members during the 40th Anniversary Dinner on the 24th June 2021

Corporate Social Responsibility Activities

Corporate Social Responsibility Activities

Shelter Afrique, as a responsible corporate person and guided by King IV Code of Corporate Governance and the CSR Policy of Shelter Afrique, conducted socially-conscious activities in Kenya and Cameroon. The activities were aimed at helping combat the COVID-19 pandemic and funding emergency relief for the less privileged and vulnerable community members. The proposal to carry out these activities aligns with Strategic Goals 2 & 3 of the Strategic Plan (2019-2023).

The budget for all CSR activities was $28,735, distributed among the two countries.

The proposed activities augment Shelter Afrique's impact in member states. Kenya and Cameroon were selected as they are the two (2) member states where the company had a physical presence when there were lockdowns and cessation of movement in various member states. This was a way for Shelter Afrique to give back to the member states that have sustained it through the years, particularly during the disruptive event.

KENYA

CHRIST CHAPEL CHILDREN'S HOME

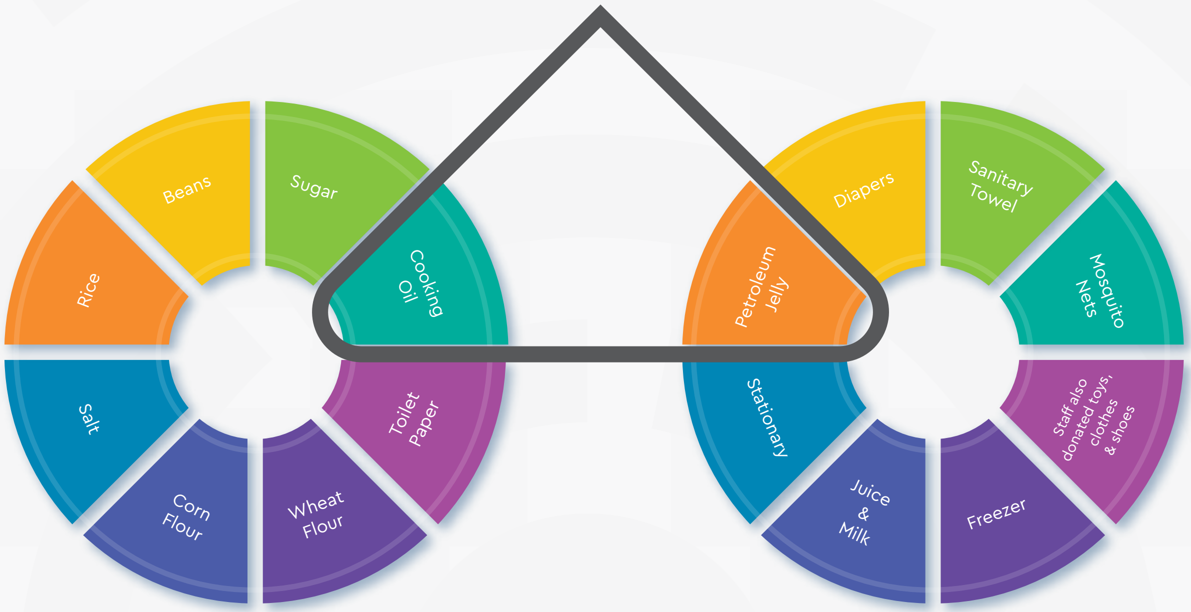
Christ Chapel Children's Home (CCCH) is a holistic child development institution. It is a nonprofit organisation established in 2002 and officially registered with the Ministry of Gender Sports, Culture and Social Services. It is based in Huruma slums on the outskirts of Nairobi.

Christ Chapel Children's Home focuses on the holistic development of Orphans and Vulnerable Children (O.V. Cs) within the Nairobi Central Division, with plans to extend the same services to other areas.

Abject poverty among the slum-dwellers of Huruma has resulted in socioeconomic conditions that encourage girl-child labour, teenage pregnancy, and single motherhood. HIV/AIDS has also claimed the lives of many young parents leaving behind many orphans and vulnerable children, some of whom have ended up in the streets.

Shelter Afrique presented much-needed material to Christ Chapel Children's Home on the 4th of February 2021. Notably, foodstuff and other domestic items were distributed to the Home.

Corporate Social Responsibility Activities (Continued)



Children at the Christ Chapel Home in Kenya

Corporate Social Responsibility Activities (Continued)

Cameroon

Continuing the tradition of giving back to the Host Country of the AGM during the 40th AGM and Anniversary in Yaoundé, Cameroon, on Monday, 21st June 2021, Shelter-Afrique presented sanitation material to the ten city councils of Yaoundé, Cameroon.

As one of the activities of the AGM, the ceremony was graced by the Minister of Housing and Urban Development, H.E Madam Courtès Célestine Ketcha, the Mayor of Yaoundé and other dignitaries and Board and Management representatives. The items listed below were distributed equally among the ten (10) city councils of Yaoundé.

The tools provided are listed below.

Corporate Social Responsibility Activities (Continued)

Sanitation Materials Donated to the City of Yaoundé on the 21st of June 2021

Corporate and Financial Management

Corporate and Financial Management

Mrs Beatrice Mburu, Ag. Chief Financial Officer

The slow resumption of underwriting new business and the unprecedented outbreak of the COVID-19 pandemic impacted the financial performance for the year 2021. Consequently, the revenue streams continued to decrease yearly; this was driven by low disbursements and the sustained decline of the existing loan book.

However, the Company recorded an operating profit of US$1.81 Million, a 241 per cent increase from the operating loss of US$ 1.28 million in 2020. The comprehensive income was US$ 1.04 Million, a 280 per cent increase from the previous year's loss of US$ 0.577 Million. **The profit was mainly attributed to impairment recoveries of US$ 2.53 Million, mostly made up of US$ 1.29Million recovery from a US$ 4.1 Million receipt from the Spring Green project in Kenya and recovery of US$ 1.23 from a receipt of US$ 2.6 Million from NHCC Uganda,** leading to a cumulative 43 per cent decrease from the US$ 4.45 Million recoveries in the year 2020. There was also a fair value loss of US$ 0.38 Million from the equity divestment and post-employment benefit obligation actuarial loss of US$ 0.39Million, contributing to the other comprehensive loss of US$ 0.77Million for the period. Interest income declined by 13 per cent to US$ 12.09 Million from US$ 13.94 Million (This income included interest income on stage 3 loans, 2021; US$ 4.06M, 2020; US$ 3.65M), and fee income increased by 3 per cent to US$ 0.78 Million from US$ 0.76 Million. The impairment charge in 2021 was US$ 0.09M (2020; US$ 5.33M), representing a 98 per cent decline in the impairment charge. The high impairment charge in 2020 resulted from the credit loss charge of stage 3 accrued income from the prior year. The key performance indicator was the 5 per cent increase in the net loan book from US$ 107.63 Million in 2020 to US$ 112.59 Million in 2021.

Corporate and Financial Management (Continued)

Overall, the positive financial performance in profitability is a crucial milestone after a sustained period of 6 years of incurring losses from 2015 to 2020. The Company also recorded a marginal increase in interest expense by 12 per cent from US$ 1.80 Million in 2020 to US$ 2.02 Million in 2021, attributed to the expensing of deferred costs related to the settled debt. This was made on the back of a 100 per cent decrease in borrowings from US$ 34.71Million in 2020 to US$ 0Million in 2021. External lenders signed The Debt Restructuring Agreement (DRA) on the 6th May 2020, Shelter-Afrique fully settled the debt in June 2021, and all deferred debt mobilisation costs were expensed during the year.

It is also imperative to note that in absolute terms, the Company contained operating expenses with a 7 per cent decrease from US$ 8.68 Million in 2020 to US$ 8.04 Million in 2021.

Financial Position

Total assets reduced by 6 per cent from US$ 177.45 Million in 2020 to US$ 167.31 Million in 2021, attributed to the 100 per cent reduction settlement of the total debt following the repayment of US$ 34.71 Million. There was a 5 per cent increase in net loan assets from US$107.63 Million to US$112.59 Million due to recognition of interest income on stage three loans. However, on the back of reduced lending, the slow resumption of new business and the impact of the COVID-19 Pandemic, there has been a significant increase in credit risk.

Liquidity decreased by 33% per cent from US$ 47.41 Million in 2020 to US$ 31.59 Million in 2021, attributed to significant debt serving payments on the CFA Bond and DRA debt amounting to US$ 35.87 Million. The liquidity ratio closed at 19 per cent, which is 4 per cent points above the minimum threshold of 15 per cent.

Shareholder Funds increased by 19 per cent from US$136.25 Million in 2020 to US$ 161.60 Million in 2021 due to the new capital subscriptions of US$24.85 Million and the profit of US$ 1.04 Million for the year. This increase brings the total paid-up capital by 15 per cent, from US$ 157.29 Million in 2020 to US$ 182.14 Million in 2021.

Debt reduced by 100 per cent from US$ 34.71 Million in 2020 to US$ 0 Million in 2021 due to the principal and interest payments of US$ 34.98 Million and US$ 0.88 Million, respectively. There was no additional debt taken up in the year.

Changes in Equity

Total equity increased by 19 per cent from US$136.25 Million in 2020 to US$ 161.60 Million in 2021. This increase is attributed to capital subscription receipts of US$ 24.85 Million (2020: US$ 16.66 Million) and the profit for the reporting period.

Cash Flows

Cash and cash equivalents decreased by 33 per cent from US$ 47.41 Million in 2020 to US$ 31.59 Million in 2021. The Company's cash position reflected the impact of inflows of US$ 24.85 Million in capital subscriptions received during the year and the positive operating cash flows. In terms of cash outflows, The Company paid US$ 34.98 Million and US$ 0.88 Million to service principal and interest debt obligations, respectively, compared to the previous year's US$ 34.47 Million and US$ 4.38 Million.

Corporate and Financial Management (Continued)

SELECTED FINANCIAL PERFORMANCE INDICATORS

Figure 25 Shareholders Funds

Figure 26 Cross-section of Total Assets in a Nine-year period

Corporate and Financial Management (Continued)

Table 7 KEY OPERATIONAL AND FINANCIAL DATA – 2013 -2021 (US$ MILLIONS)

Operating Results		*2013*	*2014*	*2015 **	*2016*	*2017*	*2018*	*2019*	*2020**	*2021*
Gross Income		13.17	14.15	15.12	16.68	14.13	9.49	10.2	14.75	12.87
Operating Expenses		6.83	8.24	10.09	9.72	8.85	9.06	8.44	8.69	8.04
Operating Profit before provisions		6.65	5.59	5.2	6.52	4.84	0.69	3.13	4.06	2.12
Profit (Loss) for the year		4.75	0.76	-4.94	-12.68	-7.79	-9.25	-1.26	-0.58	1.04
Administrative Expenses	(a)	6.51	7.87	9.63	9.2	8.42	8.68	8.05	8.35	7.71
Financial Position										
Net Loans and Advances		195.41	216.85	274.28	283.11	247.4	165.19	114.64	108.13	112.59
Financial Investments		59.67	51.87	30.47	7.71	21.98	30.78	50.48	42.20	25.68
Total Assets		270.19	289.3	335.85	336.51	311.86	229.43	193.13	177.45	167.31
Total Equity		106.09	105.9	105.86	93.36	131.7	106.79	115.42	136.25	161.61
Total Debt		160.62	177.79	224.57	236.16	173.65	116.78	71.66	34.71	0
Financial Ratios										
Total Debt to Total Assets (%)		59.45%	61.46%	66.87%	70.18%	55.68%	50.90%	37.10%	19.64%	0.00%
Debt/Equity ratio (%)		151.40%	167.88%	212.14%	252.96%	131.85%	109.35%	62.09%	25.57%	0.00%
Earnings (Loss) per share (US$)		81.86	12.62	-80.36	-203.17	-103.04	-102.56	-13.31	-12.56	15.91
Dividend per share (US$)		15.86	-	6.82	-	-	-	-	-	-

Corporate and Financial Management (Continued)

Table 8 SELECTED FINANCIAL INDICATORS (US$ MILLION)

Operating Results		*2013*	*2014*	*2015 **	*2016*	*2017*	*2018*	*2019*	*2020**	*2021*
Operating Profit before provisions		6.65	5.59	5.2	6.52	4.84	0.69	3.13	4.00	2.12
Profit (Loss) for the year		4.75	0.76	-4.94	-12.68	-7.79	-9.25	-1.26	-0.58	1.04
Administrative Expenses	(a)	6.51	7.87	9.63	9.2	8.42	8.68	8.05	8.35	7.71
Financial Position										
Net Loans and Advances		195.41	216.85	274.28	283.11	247.4	165.19	114.64	108.13	112.59
Financial Investments		59.67	51.87	30.47	7.71	21.98	30.78	50.48	42.20	25.68
Total Assets		270.19	289.3	335.85	336.51	311.86	229.43	193.13	177.45	167.31
Total Equity		106.09	105.9	105.86	93.36	131.7	106.79	115.42	136.25	161.61
Total Debt		160.62	177.79	224.57	236.16	173.65	116.78	71.66	34.71	0
Financial Ratios										
Total Debt to Total Assets (%)		59.45	61.46	66.87	70.18	55.68	50.9	37.1	19.64%	0.00%
Debt/Equity ratio (%)		151.4	167.88	212.14	252.96	131.85	109.35	62.09	25.57%	0.00%
Earnings (Loss) per share (US$)		81.86	12.62	-80.36	-203.17	-103.04	-102.56	-13.31	-12.56	1591.00%
Dividend per share (US$)		15.86	-	6.82	-	-	-	-	-	-
Operating Results		2013	2014	2015*	2016	2017	2018	2019	2020*	2021
Operating Profit before provisions		6.65	5.59	5.2	6.52	4.84	0.69	3.13	4.00	2.12
Profit (Loss) for the year		4.75	0.76	-4.94	-12.68	-7.79	-9.25	-1.26	-0.58	1.04
Administrative Expenses	(a)	6.51	7.87	9.63	9.2	8.42	8.68	8.05	8.35	7.71

Corporate and Financial Management (Continued)

a) administrative expenses are operating expenses less depreciation and amortisation.

*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 Treasury over the last 12 months brings great optimism about the growth of Shelter Afrique in 2022 and well into the future. In 2018 we signed a Debt Restructuring Agreement with eight lenders - six DFIs and two commercial banks aimed at restructuring our debt of USD186 Million with a new 5 - Year tenor, which was envisaged to run from June 2019 to June 2024. Over the last 2-3 years, this has constrained us in contracting new debt and underwriting new business. In 2021, we managed to turn a new leaf in Treasury which presented new and exciting opportunities in the fundraising space.

In 2021, The Company's fundraising strategy focused on refinancing the DRA debt and setting a solid ground which enables the raising of medium to long-term funding to meet the Company's mandate – "Decent and affordable housing for all." This decision mainly included strengthening existing bilateral relationships and attracting new relationships to diversify the funding mix. On the other hand, Housing infrastructure remains critical for Africa's post – COVID recovery; in light of this, our fundraising strategy has also evolved to ensure financing is available to meet the urgent need for decent and affordable housing on the continent.

	2018	2019	2020	2021
Liquidity (USD Million)	44.5	56.9	47.4	
Liquidity Ratio	19%	44%	27%	
Total Debt (USD Million)	116.78	71.66	34.71	0
D/E Ratio	109.35	62.09	25.97	0

Table 9 Liquidity Trends Overview 2021

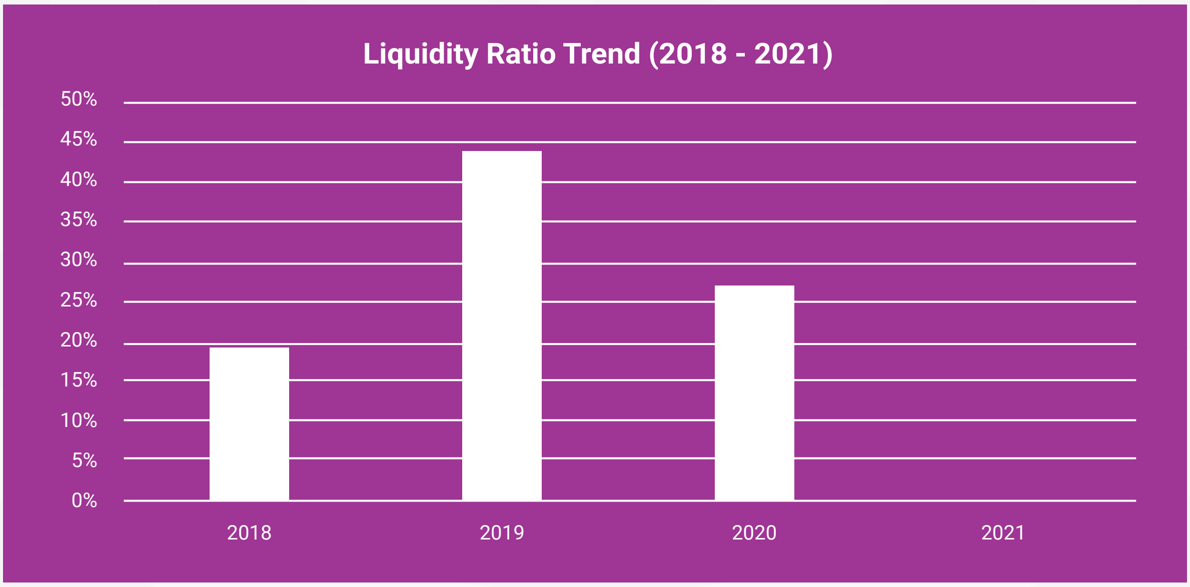


Figure 27 Liquidity Ratio Trend

Corporate and Financial Management (Continued)

2021 MILESTONES

DRA Outstanding debt Prepayment

2021 marked the last key milestone in the Debt Restructuring process with the full payment of the outstanding Debt Restructuring Agreement (DRA) debt in June 2021, 3 years ahead of the June 30th 2024 scheduled deadline, with the 8 DRA lenders (2 commercial banks and 6 DFIs). This conclusion was possible due to the new structures we put in place to deal with bad debts and loan recoveries as part of our turnaround plan. Post DRA outstanding debt payment, The Company has been engaging with various counterparties comprising Commercial Banks, Developmental Finance Institutions (DFIs), Capital Markets and Fund-Raising Consultants to mobilise liquidity to fund the business. The fund-raising strategy aims at mobilising financial resources from various sources to diversify and deepen the funding pool. Hence the need to have a mix of funds from Commercial Banks, DFIs, and Capital Markets.

A Housing Project Financed by Shelter-Afrique in Ghana

Nigeria Capital Market Transaction

In 2021, Shelter Afrique successfully registered a US$500 Million (Naira equivalent) Bond in the Nigerian Debt Capital market to enable the growth of Nigeria's housing sector. The Bond was successfully approved by the Securities and Exchange Commission (SEC) of Nigeria in Q4 2021.

The issue is driven by the need to capitalise on directing significant liquidity in pension funds and large institutions into low-cost housing. According to Indicative timelines, we expect to successfully issue Series 1 (USD100 Million Naira equivalent) of the bond in Q1 2022. This issue will mark our debut issue in the Nigerian capital market. Shelter Afrique is keen on continuing its core mandate of providing a full suite of funding solutions for new affordable housing in Nigeria. In view of the above and to expand our footprint in Nigeria, we intend to establish the USD500 Million Medium-term note programme, which will be issued in local Naira currency. The funds will be disbursed to project finance and lines of credit for the existing pipeline of real-estate transactions in Nigeria.

Corporate and Financial Management (Continued)

FUTURE OUTLOOK: DEBT CAPITAL

DFIs & Commercial Banks

As with all lending Financial Institutions (FIs), Shelter Afrique relies mainly on Debt Capital (Debt) as the primary source of funds for on-lending programs. FY2021 Debt closed at 0 per cent following repayment of DRA Debt in June 2021. Multi-lateral DFIs and Capital Markets continue to be our primary source of debt due to their competitively priced & long-tenured funding.

Capital Markets

As part of our 2021 to 2025 strategic goals, we are returning to the Local Currency Capital Markets and target to raise 30-45 per cent of our Total Debt from these markets. The Key Focus currencies of the issuances will be KES, Naira, FCFA and Zambian Kwacha. We plan to raise Local Currency Bonds, which are crucial mitigation for FOREX Risks inherent with foreign currency lending. The Company has a good capital market track record: In Kenya, more than five issues (>KES20 Billion) & CFA Zone, more than four issues (>CFA50 Billion), all successfully retired.

Beyond the Nigerian Capital market, plans are also underway for the Medium Term Note Programme in East Africa of US$500M to be issued in Kenya, which we expect to commence in FY 2022. The East Africa bond will be listed on Nairobi Securities Exchange (NSE), with the proceeds deployed in Kenya, Rwanda, Uganda, and Tanzania. Shelter Afrique has issued Kenyan Shilling MTNs and has established a good repayment track record in the debt capital markets.

In the medium term, Shelter Afrique plans to issue a local currency FCFA denominated bond in the Francophone region as part of our strategic goals to continue supporting the growth of the housing sector in the region through large-scale housing projects. The proceeds will be deployed to Shelter Afrique Member countries in the Francophone region – Project finance and lines of credit. Shelter Afrique has also issued medium-term notes in the region and has established a good repayment track record.

Human Resources and Administration Report

Human Resources and Administration Report

Figure 29
Charles Kazuka, Head of HR & Admin

The Human Resource and Administration Department (HRA) is mandated to provide human resource and administrative services to enhance productivity and service delivery by the company. More specifically, it facilitates the management of administrative support services and procurement.

Furthermore, it is the liaison function between the Ministry of Foreign Affairs and Shelter Afrique in processing the diplomatic processes for internationally recruited staff.

In addition to the workforce data from 1 January to 31 December 2021, the present report provides an overview of the latest developments about SHAF's workforce, diversity, performance management and the global internship programme.

Employee Demographics

As of 31 December 2021, the total number of staff members was 46. Of that number, 91.5 per cent are employed at headquarters, 8.5 per cent in regional offices (Abidjan – Ivory Coast & Abuja – Nigeria).

Human Resources and Administration Report (Continued)

Justus Maina. The Executive Driver, one of the organisation's longest-serving staff, receives a gift for retirement after 40 years of service

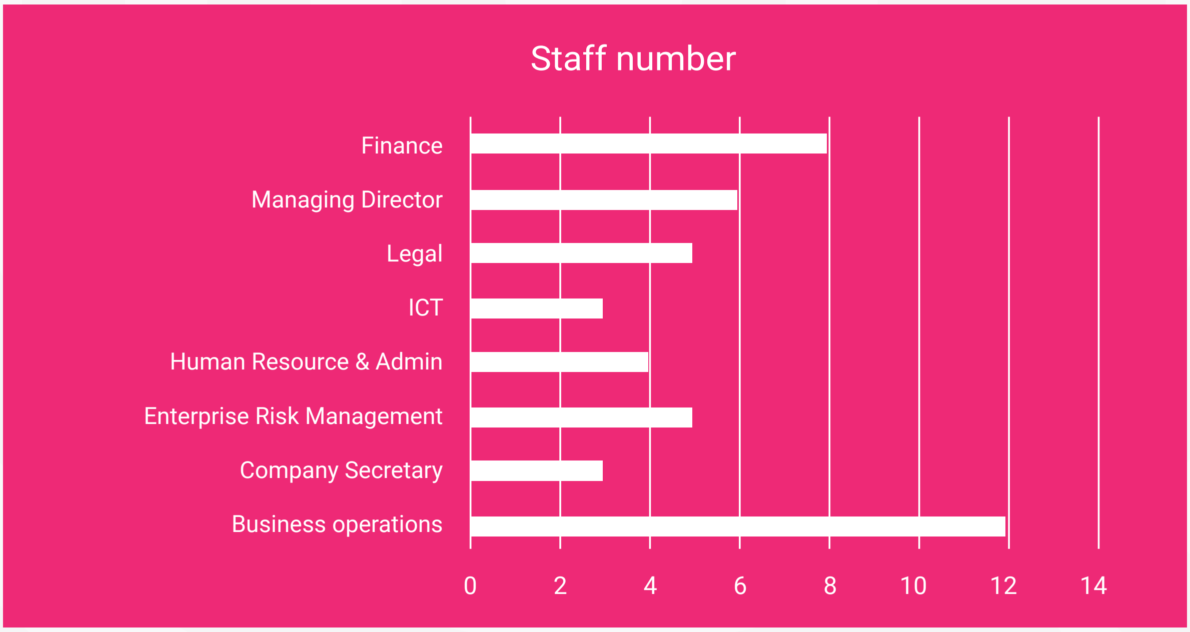


Figure 31 Staff Distribution By Department

No	Country	Number
1	Female	16
2	Male	30

Table 10 Staff Breakdown by Gender

Human Resources and Administration Report (Continued)

PERFORMANCE MANAGEMENT

As part of its transformation activities, the company is taking the opportunity to build on this success and improve performance management. For 2021, these activities include adjustments to the performance management report that will allow staff to directly link their objectives to the relevant outputs of SHAF's strategy. In addition, supervisors will begin to document their team's performance every quarter and provide feedback. More regular feedback will help to identify problems as they arise and resolve them more quickly, and make the half-year reviews more complete and objective.

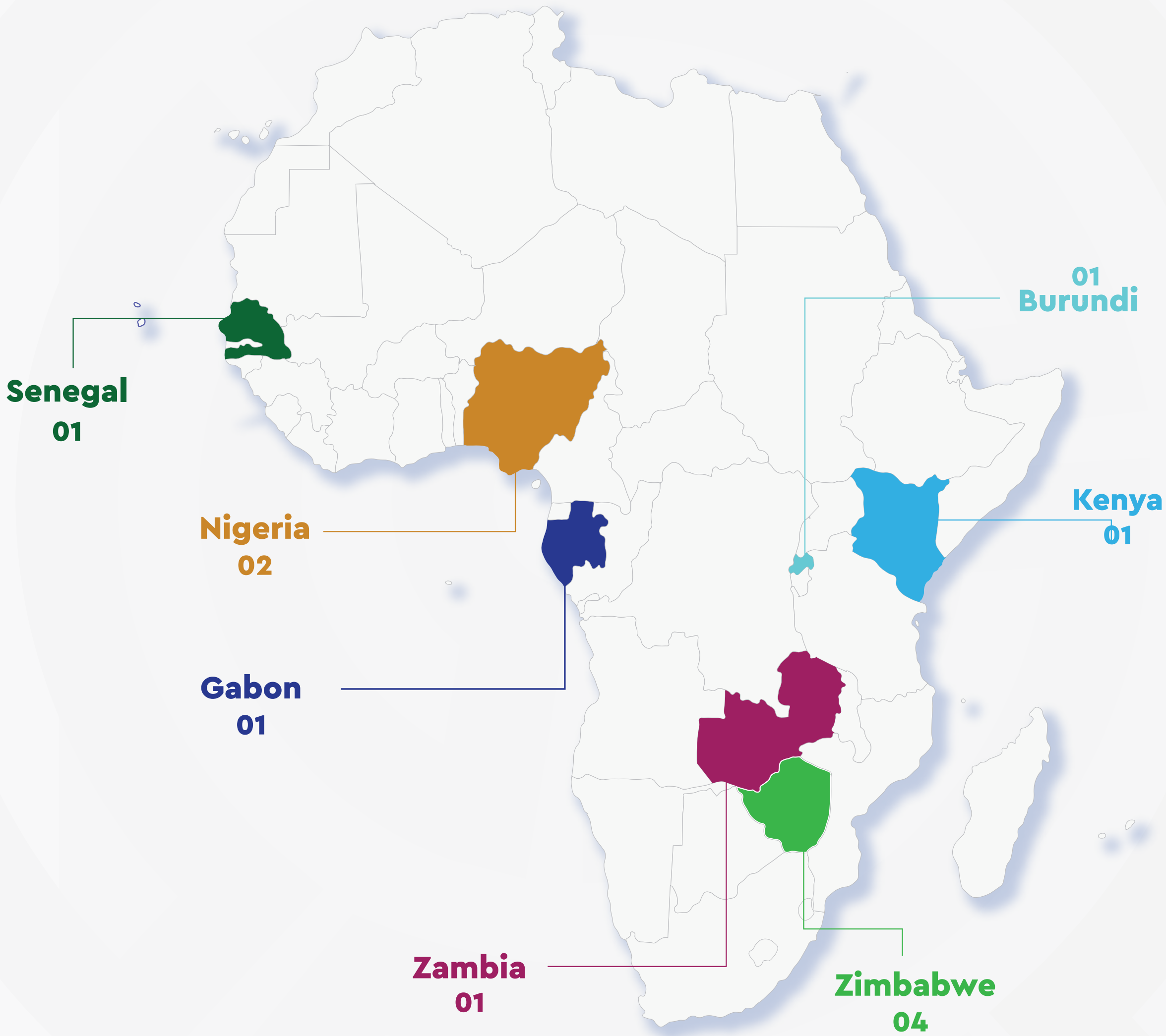
The Performance Management process has also been automated, enabling both line managers and employees to have an interactive engagement with deliverables being regularly tracked for Management information.

INTERNSHIP PROGRAMME

The programme's strategic objectives are to develop future leaders for the organisation through professional training and capacity-building opportunities across the company. The programme was supported by three pillars: attracting talent, assuring good-quality training and professional experience, and building a pool of talented young professionals. It was guided by three cross-cutting principles: gender balance, geographical diversity, and communication and collaboration across and outside Shelter Afrique. The programme was managed by the Communication and External Affairs Unit, which was central to its initial conceptualisation, eventual management and implementation. In 2021 we had a total of eleven (11) interns from different geographical diversity as below:

Human Resources and Administration Report (Continued)

SHAF INTERN PROGRAMME BY COUNTRY



Interns by Gender Breakdown

The Internship Programme was well defined during an intensive induction programme where interns were encouraged to refer beyond their daily duties/primary assignments. The programme also exposed the interns to industry leaders and critical partners to deepen their understanding of what the Company's mandate is. Interns were tasked with group and individual projects and encouraged to review business processes and propose innovative ideas. At the end of the program, the head of departments evaluated their performance, and feedback was that they had learnt a lot in office ethics, working relations, and report writing, just to name a few.

Joiners and Exits -

During the year, we had the following numbers:

1. **Exiting staff** – 3 – Head of Human Resources & Administration, Head of Internal Audit and Senior Investment Officer.

2. **Joining staff** - 2 – Company Secretary & Driver to the Managing Director

Employee Wellness

We had wellness talks by professional medical practitioners during the year. They were as follows:

Mental Health talk – These focused on the COVID 19 Pandemic season. Some topics discussed were signs of mental health, how to manage them and where to seek help.

Management also arranged for voluntary employee vaccinations across the organisation. At the end of the reporting period, 87 per cent of employees had been fully vaccinated

Medical Benefits Administration: Medical insurance cover – 100 per cent of the staff are covered under the BUPA Medical Insurance cover.

Information
Technology

Information Technology

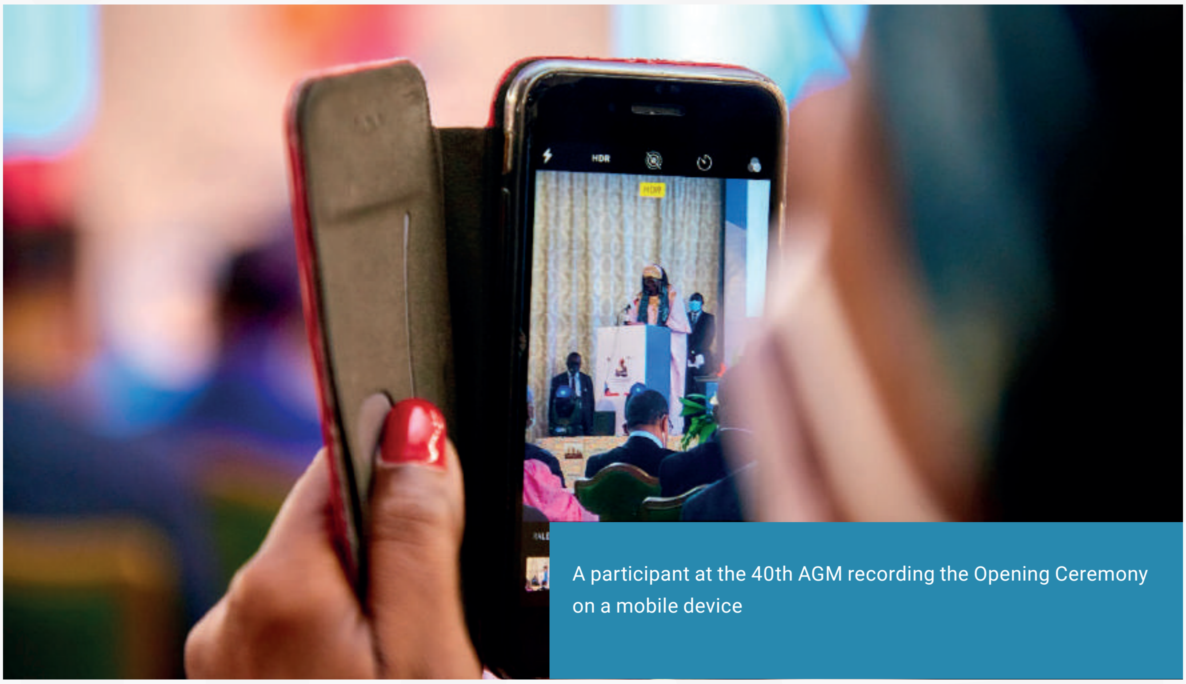
Kenneth Kithinji,
ICT Manager

The Company continued implementing digital transformation strategies considering the working conditions under COVID19. The Work from Home (WFH) model created the impetus to provide staff with excellent IT services to ensure they continue with the Organisation's operations remotely. To support the SHAF Anywhere program, the company implemented a digital electronic signature platform to improve turnaround time, reliability, and efficiency of the approval process, creating a paperless organisation.

The upgrade of the remote access solution and implementation of collaboration tools has enabled the staff to access the organisation's systems and other services remotely and securely, eliminating the need to visit the office. The strategy resonates with the business strategy of enhancing the organisation's capacity to deliver.

Another significant milestone was the successful completion of the reimplementation of the enterprise resource planning (ERP) solution – Oracle E-business suite. ERP is the backbone of Shelter Afrique's operational processes within the Finance, Loans Management, Treasury, Human Resources and Administration departments. Therefore, the rollout of the new platform is a major achievement toward its commitment to maintaining operational excellence in all its activities.

Information Technology (Continued)



A participant at the 40th AGM recording the Opening Ceremony on a mobile device

The company delivered a successful first-ever hybrid virtual AGM and symposium in Yaoundé, Cameroon. The virtual connection element was critical in achieving the AGM quorum and enabling delegates to follow the AGM and symposium proceedings remotely. Hybrid virtual AGMs are becoming common nowadays due to the ongoing COVID19 pandemic and convenience for those who may not wish to travel for various reasons. It also reduces costs to the Company, Member States and participants. Therefore, we foresee it becoming part of our annual general meetings.

As part of its continuing commitment to operational excellence, SHAF has begun the digitalisation of company-wide records and information management (RIMS) project to ensure the security, reliability and authenticity of documents and information for long-term organisational sustainability. In addition, The Company has begun implementing governance, risk and compliance solutions to strengthen the enterprise risk management. It has also started several reviews of its processes. The Company will also be focusing on strengthening its business continuity preparedness in the light of changing working environments.

Legal Services

Legal Services

Figure 34
Houda Boudlali, Head of Legal Services

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

OUR MISSION

- Legal Advisory ;
- Ligation management ;
- Collateral management ;
- Legal, due diligence ;
- Legal support to institutional matters;
- Loan Documentation and security perfection; and
- Contract management.

Legal Services (Continued)

LSD support

Forty per cent Corporate Business and Operation.

Forty per cent Litigation and settlement of disputes.

20 per cent of Institutional and other departments

Legal achievements.

In 2021 among many achievements, some accomplishments are highlighted below:

- Effective management of litigation: Most importantly litigation was one of the high priorities of the legal department for the year 2021, including:

- **No case lost during the year 2021:** The legal department implemented a very effective legal strategy and a strict follow-up with our external lawyers and also reflected positively on the company's business, avoiding a potential loss of about $100M.

- **Effective management of legal fees:** Reduced legal costs by six (6) times compared to 2020.

- **Business Development files:** During the year 2021, LSD worked on different cases, and some of them were of great value for the company, such as Nigeria Bond worth 100M USD.

- **Legal Perfection:** Creation of a database for the North African countries. This database will act as a comprehensive guide to implementing guarantees and mortgages, costs and time (setup costs, execution costs, etc.) as per the regulation of our member countries. This guide will act as a reference document for the Company to implement guarantees during each transaction at the time of negotiation itself.

- **Implementation of a Monthly Agreement Performance report:** This helps monitor our Turnaround Time (TAT). The main objective of this report was to maintain a TAT of 5 days for loan documentation review. The average timeline achieved is 2 to 3 days which greatly affects how quickly we can disburse.

STAKEHOLDER ENGAGEMENT AND CORPORATE RESPONSIBILITY

LSD serves the Company by providing quality legal advice and representation services to eligible transactions in an accountable and transparent manner, with an emphasis on:

- Our constituent charter and its subsequent documents.

- Our Policy.

- Our Ethical Process.

- The core principle of LSD is that it is obligated to demonstrate and take responsibility for its actions, decisions, and policies and that, in consultation with the internal stakeholders, it is answerable to the clients at large.

Enterprise Risk Management

Enterprise Risk Management

Bernard Oketch,
Chief Risk Officer

OVERVIEW OF ENTERPRISE RISK MANAGEMENT

Effective enterprise risk management is fundamental to achieving our institutional mandate. We seek 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 as we seek to limit adverse variations in earnings and capital by managing risk exposures within an agreed risk appetite. Our risk management approach includes minimising undue concentrations of exposure, limiting potential losses from risk events, and ensuring the continued adequacy of all our financial resources coupled with organisational resilience. Our risk management processes proved effective in FY2021, despite a challenging economic environment brought about by the effects of the COVID19 pandemic. The pandemic significantly impacted our business activities and financial projections; however, the attendant risks were factored into our revised business strategies and 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 identification and segregation of roles in enterprise risk management.

Enterprise Risk Management (Continued)

The Board of Directors has overall responsibility for the proper management of risks within the company. They supervise and authorise 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 & Finance Committee (ARF). ARF and other risk committees regularly request in-depth reviews of current, new, and emerging risk issues and flashpoints that may impact the company. The MD retains overall responsibility for managing risks within the company and is assisted by the Executive Committee (EXCO) and the Head of Enterprise Risk Management Department (Chief Risk Officer) in discharging this role.

1.1. RISK APPETITE FRAMEWORK & STATEMENT

Risk appetite is an expression of the amount of risk the company is willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligation as they fall due, under both normal and a range of stress scenarios. The company's risk appetite framework guides the following:

a) The approach of setting risk appetite triggers and risk tolerance limits.
b) Responsibilities for monitoring risk profile.
c) The escalation and resolution process where breaches occur.

The risk appetite framework is widely used in the company in informing decision-making. The framework is reviewed on an annual basis.

RISK MANAGEMENT PROCESS

The Company ERM programme follows a systematic process benchmarked to the provisions of the ISO 31000: Risk Management Standard & Guidelines. The process is depicted in the figure below. The process entails establishing the context (developing the 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.

Enterprise Risk Management (Continued)

Figure 36 Risk Appetite Framework

Enterprise Risk Management (Continued)

RISK UNIVERSE

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 37 Shelter Afrique Risk Universe

FY 2021 KEY RISKS & MITIGATIONS

During the period FY 2021, the following were the key strategic risks that impacted the Company and managed adequately to guarantee financial sustainability and company relevance in a tricky business operating environment.

a) **COVID-19 pandemic** significantly impacted our busines activities and projections in 2020. New business underwriting was slowed down; there was increased credit risk due to adverse macro-economic shocks to our customers. Appropriate risk-mitigating measures were undertaken to reduce the impact of the pandemic on the business. The efforts are being sustained into FY 2022.

b) **The loan portfolio** continued to decline due to the slow disbursement of already approved business deals. The conversion rate from approvals to disbursements was below the set target. This situation and the continued maturity of the existing loan book did exacerbate the adverse effects. We expect enhanced disbursements in FY 2022 from re-engineered credit underwriting processes, capabilities, and systems.

c) **The African currencies** were under a lot of pressure from the dollar due to uncertain forex markets. We expect the trend to ease as countries get their economies back to optimal operation after the lockdowns and monetary policy strategies work to address the imbalance.

d) **Recoveries from the non-performing loan book** were relatively low in FY2021, with comebacks affected mainly by the COVID19 pandemic, making it challenging to implement the recoveries strategies optimally. Alternative methods have been considered and are being implemented to enhance recoveries.

e) **Funding risk** remains significant due to the constant need for optimal funds for deployment to underwrite new business assets and support liquidity. With the revised business strategy for 2021-2025, plans are afoot to raise over US$1B from the DFI and capital markets in the next five years. The capital markets are being targeted to enable the raising of local currency housing bonds.

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

g) **Earnings risk and profitability** are critical to financial sustainability and our continued solvency and, therefore, the need for the company to be sustainably profitable.

Internal Audit

Internal Audit

Benson Ngare, Ag. Head of Internal Audit

Overview of the function:

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

At its time of creation, the unit was mainly focussing on convectional audit, using the compliance audit approach. In 2014, the department started moving from compliance audits to risk-based audits. One of the key activities was the creation of the audit universe and planning a risk-based audit.

Currently, the unit has incorporated the advisory and consultation roles within the audit process, where it focuses more on working together with the auditees and management team to achieve the organisation's strategic goals and objectives. These changes have 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 value-add strategic direction.
The unit's goal for the future is to reach its full potential by automating its processes that touch on governance, risk management and control.

FY 2021 Activities: The primary function of the Internal Audit is to provide an objective and independent assurance to the Board that adequate management processes are in place to identify and monitor the organisation's key risks. The function further ensures that adequate internal controls and risk management are in place to manage those risks. The Company's Internal Audit Unit independently performs its audit engagements according to the audit work plan approved by the Board through the Audit Risk and Finance Committee. The unit operates under the revised Internal Audit Charter approved by the Board in June 2020. The charter defines the roles, objectives, authority and responsibilities of the audit function.

Internal Audit (Continued)

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

In 2021, the world continued to experience the effects of the unprecedented pandemic, the Covid_19 virus, which posed a significant challenge worldwide. Even with this disruption, the Internal Audit Team conducted several critical reviews on the organisation's operations.

One of the central reviews within the unit was the full involvement of the team in the reimplementation of the Oracle ERP business suite project, which is a critical automation process for the company. The team was part of the quality assurance team.

Project reviews were done. This engagement was vital in assessing the adequacy and effectiveness of the organisation's internal controls and monitoring processes around the origination and disbursement of loans, whose outcome informed the organisation's comprehensive risk profile adopted by management.

The team continued with its continuous monitoring of the COVID-19 Risk Management & Business Continuity Plan; this was a critical review because it assessed the capability of the organisation to continue delivering its services at acceptable levels following the disruption by implementing the laid down strategies while minimising risks to staff contracting the virus.

Key transformation of the audit unit for the past ten years:

- At the end of the year under review, the team has embedded agile auditing within its audit process to enhance efficiency and effectiveness of the organisation's risk management process and provide value-added internal audit services.
- In the year under review, the unit has championed the integration of combined assurance within the risk management process.
- The transformation from compliance audit and embedding risk-based approach audit.
- Upgrade from manual to the semi-automated audit process.
- One-man resourced unit with relatively limited to a more resourced team that has enhanced capacity to perform the work in the current advanced environment.
- In the next five years, we hope to automate the processes thoroughly. The plan is to get the unit accredited by the IIA through the quality assurance program.
- Attain a fully-fledged unit in nine years.

Recoveries of Non-Performing Loans

Recoveries of Non-Performing Loans

Macharia Kihuro,
Manager, Special Operations Unit

In 2021, the management sustained the recoveries efforts 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 essentially part of the old legacy portfolio. Management through the Special Operations Unit (SOU) has continuously and regularly reviewed the success and effectiveness of the NPLs' management strategies. One of the key outcomes of the review exercise was the preparation and Board's adoption of a Lessons Learnt Report in March 2021. This is very important as it provides a basis for the strengthening of the existing lending and NPLs management policies and procedures.

The management has also delved deeper into the key strategies, activities, and the end game that the administration intends to adopt to reduce the NPL portfolio within a reasonable time frame substantially. As severally explained, the biggest challenge in managing these NPL accounts remains that these are legacy transactions with several older than ten years. To complicate the matter further, some of these transactions are stalled/incomplete transactions facing legal tussles in various Courts of Law. Despite all the complexities, in the 2021 FY, the team has collected a total of USD 4.0 million. This collection was below the set target as some of the key accounts that we expected to be recovered did not come in by the end of the year. These accounts are expected to be collected in Q1 or Q2 2022. Despite being below the target, the NPL portfolio directly contributed USD 1.4M to the bottom line.

One of the key strategic directions that have so far borne fruits is the adoption of Alternative dispute resolution mechanisms in resolving the NPL challenges. The team, through the support of external and internal lawyers, is actively engaged in mediation and arbitration processes. The rest of the portfolio is under active legal foreclosure processes at various stages while another portion of the portfolio is under the rescued/worked-out portfolio. However, in most of our jurisdictions,

Recoveries of Non-Performing Loans (Continued)

defaulters have managed to delay recovery processes through dubious means and have led to some files remaining in the courts of law for more than 10 years. Many judicial systems also strongly advocate for commercial disputes to be resolved through ADR mechanisms rather than being in courts for years. Therefore, Alternative Dispute Resolution (ADR) mechanisms have gained much traction. For Shelter-Afrique, ADR provides an opportunity for an exit at a much lower cost than legal processes. Several files have been fully settled, and others are on the verge of closing, such as the recently Board-approved Translakes Limited and KMA SACCO Housing Cooperative files in Kenya.

It is important to note that since the inception of SOU in 2018, about USD 41 million has been collected from the NPL book and USD 7 million written off the book. With the conclusion of the ongoing ADR transactions, approximately USD 15 million will also be removed from the NPL portfolio before the end of the year 2022. The recoveries unit has also directly contributed to The Company's profitability by reversals of the interest in suspense, writebacks, and other default interest and fees to be recovered.

Finally, as indicated, the management has prepared an endgame forecast for the existing NPLs legacy book. The fundamental idea is to ensure that by the end of 2025, the NPL book is substantially reduced through various recovery strategies that the Board has approved. These measures are designed as an end-game strategy to reduce the current NPL portfolio significantly.
Below is a summary of the endgame that has been prepared.

Table 13 Summary of the Recoveries in a 4-Year Period

CATEGORY	2022	2023	2024	2025
TOTAL RECOVERIES	10 M	13 M	13 M	14 M
INTERESTS/FEES- TO P&L	2.5 M	3.5 M	3.5 M	5.0 M
PRINCIPAL LOAN RECOVERIES	7.5 M	9.5 M	9.5 M	9 M
WORK-OUTS	7 M	5 M	5 M	4 M
WRITE-OFFS	3 M	3 M	3 M	1 M
TOTAL	20 M	21 M	21 M	20 M
RESIDUAL NPL PORTFOLIO	**70.3 M**	**47.5 M**	**26.3 M**	**7.3 M**

Business Operations
A Year in Perspective

Business Operations

A Year in Perspective

Yankho Chitsime,
Business Development Director

The 2021 financial year will be recalled as the year we returned to the Capital Markets and took a step forward in addressing Foreign Currency risks for our member countries.

Preparing the Series A Naira-denominated Bond has given us great confidence in how the Capital Markets can be leveraged to address affordable housing. The experience has also revealed key lessons which we believe are vital as we look at other markets.

The key lessons are listed below,

Capacity - It may seem obvious, but to successfully raise a Bond, the depth of the respective capital market on its own is not enough. Coupled with it should be a required depth of housing developers with a proven track record of delivery at scale associated with a pipeline of bankable projects and student accommodation development. This move will address the sizeable bed spaces deficit evident across institutions of higher learning across our Member States.

Development Cycle - This must be considered and match timelines to the development cycle. The funding provided must support developers to deliver on their projects which require longer tenors as development cycles range from 12 months to 36 months, with complete cashflow sales cycles ranging from 12 to 60 months post-construction.

Messaging - Affordable Housing is an asset class appealing to Investors based on the social impact of the housing units, jobs created, and the environment. This should be the pitch to investors and stakeholders.

Business Operations A Year in Perspective (Continued)

Deepening - Continued use of the markets only serves to deepen them. The bond issuance will enhance data on Affordable housing which is required to unlock other capital markets further. It will also unlock non-traded market opportunities such as Affordable Housing REITs which will support both the supply of housing and enhance the demand for affordable housing.

Pricing - The pricing and tenor of the funds mean it primarily supports the supply of Affordable Housing, either via future issuances or a combination of raising funds through Multilateral Development Finance Institutions (MDFIs). These institutions will seek to also support the demand-side of Affordable Housing through mortgages, rental solutions, and rent-to-buy solutions.

These key lessons will enable us swiftly implement strategies to leverage Capital Markets across Africa. Indeed, our mandate is Africa-focused, and the rest of the report details our activities across Africa in the last year.

Report from the East and Southern Africa Region

In April 2021, the Regional Office celebrated the launch of an affordable housing scheme in Namibia. Through a collaboration between SHELTER-AFRIQUE and Namibia International Capital (Pty) Ltd, 132 affordable units have been delivered in Osona and Otjomuise through replicable financing and implementation model.

As part of SHELTER-AFRIQUE's objectives to support the demand side of affordable housing, the Board of Directors approved a USD 7 million facility in favour of BancABC Zimbabwe. The proceeds were used to create new affordable mortgages, among other developmental outcomes.

To continually develop a bankable pipeline of new deals and opportunities, the Regional Team fielded Business Development missions to Namibia, Tanzania, Somalia, Rwanda, and Lesotho.

A joint workshop co-hosted by the New Business Team and SHELTER-AFRIQUE's Centre of Excellence was also held in Zanzibar in August 2021. The missions cumulatively yielded an impressive pipeline of deals that will heavily influence the Region's performance in 2022.

One of the year's highlights was renewing our relationship with WEMA Bank PLC in Nigeria. We extended a line of credit worth US$9 million in housing loan to the bank.

The 7-year facility due for repayment in 2027 will be used for onward lending to developers and home buyers who wish to purchase single units on an owner-occupier basis and Employee Assisted Mortgage Scheme. Also, the loan will create mortgages for purchasing affordable housing within the range of 16 million Naira (US$40,000) and 32 million Naira (US$80,000), home completion, home improvement, or home extension.

The Honourable Minister of Urban and Rural Development for Namibia lays a foundation stone during the NIC Launch on 27TH April 2021

Business Operations

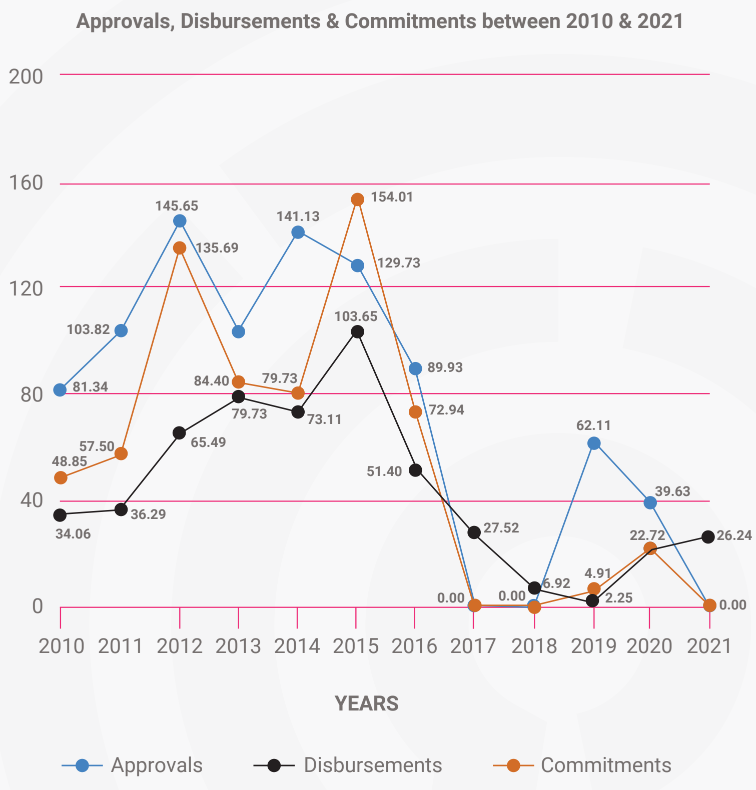
The table and chart below summarise the Company's cumulative approvals, commitments, and disbursements between 2010 and 2021; it also indicates the non-existent lending between 2017 and 2019.

Table 14 Cumulative approvals, disbursements and commitments between 2010 and 2021

Years	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Approvals	81.34	103.82	145.65	104.50	141.13	129.73	89.93	0.00	0.00	62.11	39.63	35.17
Cumulative Approved loans	433.36	537.18	682.83	787.33	928.46	1,058.19	1,148.12	1,148.12	1,148.12	1,210.23	1,249.86	1,285.03
Disbursements	34.06	36.29	65.49	79.73	73.11	103.65	51.40	27.52	6.92	2.15	21.72	26.24
Cumulative Disbursements	222.32	258.61	324.10	403.83	476.94	580.59	631.99	659.51	666.43	668.58	690.30	716.54
Commitments	48.85	57.50	135.69	84.40	80.84	154.01	72.49	0.00	0.00	0.00	4.91	23.30
Cumulative Commitments	262.35	319.85	455.54	539.94	620.78	774.79	847.28	847.28	847.28	847.28	852.19	897.82

Business Operations (Continued)

Chart 1: Approvals, disbursements, and commitments between 2010 and 2021



Construction Workers on Site on a Shelter-Afrique Project

Business Operations (Continued)

LOAN APPROVALS

It is good to remember that lending was stopped during the years 2017 and 2018 as agreed with the lenders of the Company, mostly DFIs (Development Financial Institutions), whereby a standstill period was in place exclusively for the collection. After the underwriting of new business in 2019, $62.1 million was achieved. Unfortunately, this continues to decline to USD 39.6 and 35.2 million, 36 per cent and 11 per cent in 2020 and 2021. The decline in performance mainly was related to the COVID-19 pandemic and the lack of local currency (KSH and CFAF), the Company usually offers over 20 years to limit high forex-risks effects in some markets. The approval is at a level of 27 per cent against the annual target of USD 130.6 million

The table below gives a summary of the year's approvals:

Table 15 Loan Approvals in 2021

Country	Region	Developer	Type of Instrument	Client Type	Amount in USD	Type of Development	Facility Currency	Maturity
1. Kenya	Eastern	The Village @ Daystar LTD	Dept	Private	3 097 345	Residential	KES	Above 5 yrs
2. Zimbabwe	Southern	African Banking Corporation (BancABC)	Line of Credit	Financial Institution	7 000 000	Residential	USD	Above 5 yrs
3. Senegal	Western	Teyliom International (TIL), Ltd.	Line of Credit	Private	7 000 000	Residential	USD	3 to 5 yrs
4. Cameroon	Central	Government of Cameroon	Equity	Parastatal	510 000	Residential	CFAF	Above 5 yrs
5. Cameroon	Central	MAETUR	Dept	Parastatal	4 562 744	Residential	EURO	4 to 5 yrs
6. Nigeria	Western	MIXTA GROUP	Line of Credit	Private	13 000 000	Residential	USD	5 yrs
Total (in USD)					**35 170 089**			

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

Country	Amount in USD	Ratio
1. Kenya	3 097 345	8.8%
2. Zimbabwe	7 000 000	19.9%
3. Senegal	7 000 000	19.9%
4. Cameroon	5 072 744	14.4%
5. Senegal	13 000 000	37.0%
Total (in USD)	**35 170 089**	**100%**

Business Operations (Continued)

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

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

As in 2020, lines of credit dominate the approvals of FY 2021 with a ratio of 76.8 per cent of the portfolio. They are followed by construction finance through debts at 21.8 per cent and the equity in refinancing institutions covering the remaining 1.4 per cent.

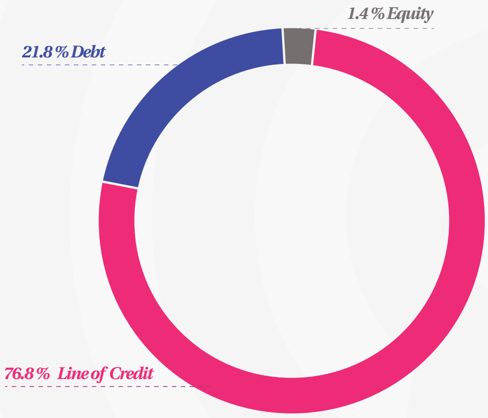


Figure 43 Loan Approvals Per Lending Instrument

The USD remained the dominant loan currency, 76.8 per cent of the total approved projects. The other 23.2% are shared at 13.0%, 8.8% and 1.5% between EURO, KSH and CFAF, respectively.

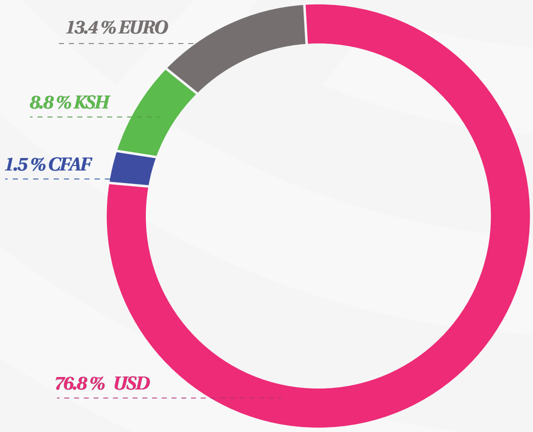


Figure 44 Projects by Currency

The West African Region takes the lead regarding loans approved with 57 per cent. It is followed by Southern and Central Africa with 20 per cent and 14 per cent respectively. The East African region has a smaller fraction of 9 per cent during this exercise.

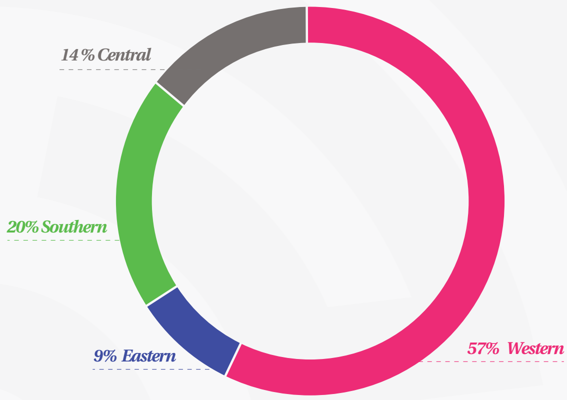


Figure 45 Regional Distribution of Projects Approved

No short-term facility with a tenor below three years was approved during the year. The approvals of 2021, though transactions characterise mainly line of credits with medium tenors (3 to 5 years), which account for 69,8 per cent. The long terms facilities account for the remaining portion of 30.2 per cent.

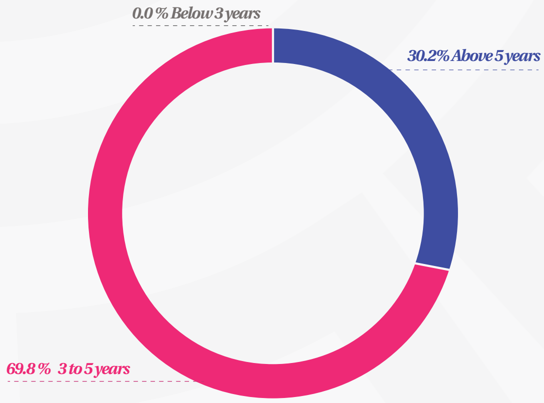


Figure 46 Maturity Profile of Approved Facilities

Business Operations (Continued)

LOAN COMMITMENTS

Only four loans were committed to the tune of $22.3 million, a level of 24 per cent against the annual target of USD 96.6 million per cent. Commitments are expected to increase in the coming year as the deal cycle usually transcends one financial year.

Table 17 Loan Commitments in 2021

Country	*Developer*	*Type of Instrument*	*Amount in USD*	*Facility Currency*
1. Nigeria	The Village @ Daystar LTD	Line of Credit	9 000 000	USD
2. Zimbabwe	African Banking Corporation of Zimbabwe Ltd (BancABC)	USD	7 000 000	USD
3. Zimbabwe	African Banking Corporation of Zimbabwe Ltd (BancABC)	USD	4 000 000	USD
4. Zimbabwe	African Banking Corporation of Zimbabwe Ltd (BancABC)	USD	3 300 000	USD
Total (in USD)			**23 300 000**	

LOAN DISBURSEMENTS

The institution disbursed six loans in five countries. The paid amount was $26.2 million. The line of credit loans disbursed of $20 million represented 76 per cent of the disbursed amount, and the 24 per cent remaining was for project finance to a tune of $ 6.2 million;

Looking forward, the FY 2022 shows more promise in disbursements, especially with the ongoing programme Naira Bond and many transactions which The Company has embarked on and expects to come to completion.

The table below gives a summary of the 2021 year's disbursements:

Table 18 2021 Loan Disbursements

Country	*Client*	*USD*
1. Rwanda	OXYPROP Disbursements	938 111
2. DRC	MSD	2 000 000
3. Namibia	NIC	3 300 000
4. Nigeria	WEMA	9 000 000
5. Zimbabwe	Banc ABC Loan 2	7 000 000
6. Zimbabwe	Banc ABC Loan 2	4 000 000
Total (in USD)		**26 238 111**

Business Operations (Continued)

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

Table 19 Loan Disbursements per Country during 2021

Country	Amount in USD	Ratio
1. Rwanda	938 111	4%
2. DRC	2 000 000	8%
3. Namibia	3 300 000	13%
4. Nigeria	9 000 000	34%
5. Zimbabwe	11 000 000	42%
Total (in USD)	**26 238 111**	**100%**

FINANCIAL STATEMENTS

FOR YEAR ENDED 31 DECEMBER 2021

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CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 (Continued)

Class "A" Shareholders (Countries)			
Directors	**Alternate Directors**	**Countries /Institutions represented**	**% Shareholding**
Mr. Nghidinua Mathews Daniel (Namibia) – serving second term from 20th July 2020	Mrs. Dorcas W. Okalany (Uganda) – from 20th July 2020	Botswana, Lesotho, Malawi, Namibia, Rwanda, Tanzania, Uganda,Zambia	12.80%
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	13.49%
Dr. Theresa Tufour (Ghana) until 24th June 2021 Mr. Ouadja Kossi Gbati (Togo) - from 24th June 2021	Mr. Ouadja Kossi Gbati (Togo) 24th June 2021	Ghana, Guinea, Cape Verde, Togo	6.86%
Mina Azerki (Morocco) from: 20th July 2020	Mr. Nejib Snoussi (Tunisia) From: 20th July 2020	Algeria, Mauritania, Morocco, Tunisia	7.36%
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	10.16%
Olaitan Olugbenga Komolafe (Nigeria) - Member (new) from: 20th July 2020	George Bombo Bright (Liberia) from: 20th July 2020	Gambia, Liberia, Nigeria, Sierra Leone	13.84%
Mr. Charles Hinga Mwaura (Kenya) - serving second term from 24th June 2021	Mr. Lexton Kumwanda (Zimbabwe) – until 24th June 2021 Mr. Patrick Bucha (Kenya) - from 24th June 2021	Kenya, Somalia, Swaziland, Zimbabwe	19.17%
Class "B" Shareholders (Institutions)			
Mr. Ephraim Kiiza from 20th June 2019	Mr. Seydou Kone – from 20th June 2019	African Reinsurance Corporation	3.74%
Dr. Patience Chika Akporji from 17th September 2020	Yomi Ayodabo From 17th September 2020	African Development Bank (AfDB)	12.58%
Total			**100.00%**

CORPORATE INFORMATION (Continued)

INDEPENDENT DIRECTORS	Dr. Stephen Mainda	*serving second term from 24 June 2021*
	Dr. Omodele R. N. Jones	*until 24 June 2021*
	Mr. Babatunde Adebisi Sanda	*from 24 June 2021.*

SENIOR MANAGEMENT	Mr. Andrew Chimphondah	*Managing Director (Resigned on 17 February 2022)*
	Mr. Kingsley Muwowo	*Chief Finance Officer (Acting Managing Director from 17 February 2022)*
	Mrs. Beatrice Mburu	*Acting Chief Finance Officer (from 17 February 2022)*
	Mrs. Natasha Koli	*Acting Company Secretary (Up to 31 October 2021)*
	Mrs. Juliette Kavaruganda	*Company Secretary (From 1st November 2021)*
	Mr. Alfred Nicayenzi	*Chief Operations Officer*
	Mr. Bernard Oketch	*Head of Enterprise Risk Management*
	Mr. Yankho Chitsime	*Head of New Business*
	Mr. Victor Laibuni	*Head of Human Resources and Administration*
	Mr. Muhammad Gambo	*Manager: Policy, Research and Partnerships*

INTERNAL AUDITOR	Mr. Mohamed Barry	*(Resigned on September 2021)*
	Mr. Benson Ngare	*(Acting, from 1 October 2021)*

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, 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 15 of the financial statements. The total comprehensive profit for the year amounts to US$ 1,038,795 (2020 Restated: Comprehensive Loss of US$ 577,757).

DIVIDENDS

The dividend policy provides for distribution of dividends only if the net profit for the financial year concerned is at least US$ 1 million. The Directors, however, do not recommend the payment of a dividend for the current financial year (2020: US$ Nil).

SHELTER AFRIQUE FOUNDATION

The Directors do not recommend the appropriation of any funds to Shelter Afriqe Foundation. (2020: US$ nil).

RESERVES

The reserves of the Company are set out on page 17 of the financial statements.

DIRECTORS

The Directors who served during the year and to the date of this report are as listed on page 3. In accordance with the Company's Charter, the Directors hold office for a term of three years and are, therefore, not subject to retirement by rotation annually.

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 2021 and have expressed their willingness to continue in office.

BY ORDER OF THE BOARD

Company Secretary

Nairobi

31 May 2022

STATEMENT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

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

BOARD OF DIRECTORS

The names of the Directors who held office in the year and to the date of this report are set out on page 3.

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

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

A timetable of calendar dates for Board meetings to be held in the following year is fixed in advance by the Board. The notice of Board meetings is given in advance in accordance with the Company's Statutes and General By-Laws and is distributed together with the agenda and Board papers to all the Directors beforehand. The Board meets regularly and at least 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 materially 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. As part of its turnaround strategy, the Board operated two ad hoc committees in 2021, one of which completed its duties during the year. The second is expected to attain its objectives during the calendar year 2022. The authority for the day-to-day running of the Company is delegated by Statute to the Managing Director. For the period of implementation of the turnaround strategy, the Board is operating an elevated level of oversight of delegated authorities.

RISK MANAGEMENT AND INTERNAL CONTROL

Management, in consultation with the Board Committees, is responsible for the Company's day-to-day overall risk management to minimize potential adverse effects on its financial performance while the Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The Company has an ongoing process of identifying, evaluating and managing significant risks inherent in its business, by the Risk Management department. This process is also reviewed by the internal auditor. The internal auditor reports administratively to the Managing Director and functionally to the Audit, Risk and Finance Committee.

STATEMENT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

As part of the independence required by Shelter-Afrique corporate governance, the Internal Audit annual work program and budget are separately approved by the Audit, Risk and Finance Committee, which also reviews and approves audit reports and internal audit annual report. The Company has in place controls, which include, but are not limited to, an annual budgeting process, a regular review of strategic initiatives, a well-defined organizational structure which is kept under regular review by the Board and a review of quarterly financial and operating information by management and the Board. In implementing its turnaround strategy, the Board has taken steps to significantly enhance the operating independence and effectiveness of the internal audit unit. 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. During the year, as part of its turnaround plan, the Board proposed to meetings of shareholders, certain amendments to the corporate statutes. They were accepted and are expected to contribute to an improved enterprise risk management system and to provide for a more robust capital structure and position. The Company prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Director **Director**

2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2021

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:

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

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

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

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

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

Approved by the board of directors on 31 May 2022 and signed on its behalf by:

Director

Director

CERTIFICATION OF FINANCIAL STATEMENTS BY THE CHIEF FINANCE OFFICER AND THE MANAGING DIRECTOR FOR THE YEAR ENDED 31 DECEMBER 2021

We, Kingsley Muwowo 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 2021.

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
2022

Kingsley Muwowo
Ag. Managing Director

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 15 to 99 which comprise the statement of financial position at 31 December 2021 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 a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of The Company for Habitat and Housing in Africa at 31 December 2021, 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 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.

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.

PricewaterhouseCoopers LLP PwC Tower,
Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001
www.pwc.com/ke

Partners:
E Kerich B Kimacia M Mugasa A Murage
F Muriu P Ngahu 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)

Other information (continued)

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 skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE COMPANY FOR HABITAT AND HOUSING IN AFRICA (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- 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

20 June **2022**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	*2021* US$	*2020 Restated** US$
INTEREST INCOME*	4	12,874,668	14,705,867
INTEREST EXPENSE AND SIMILAR CHARGES	5	(2,022,873)	(1,802,687)
INTEREST INCOME		10,851,795	12,903,180
OTHER INCOME	7	591,129	216,976
GRANT INCOME	29	3,879	3,879
OPERATING INCOME		11,446,803	13,124,035
PROVISION FOR EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES*	16	(88,216)	(5,326,348)
OTHER IMPAIRMENT CHARGES	13,17,18(b)	(217,254)	(16,764)
		11,141,333	7,780,923
OPERATING EXPENSES*	8	(8,043,963)	(8,687,843)
NET FOREIGN EXCHANGE LOSSES*	10	(1,236,042)	(524,618)
SHARE OF (LOSS)/PROFIT IN JOINT VENTURES	18	(50,423)	89,443
PROFIT FOR THE YEAR*		**1,810,905**	**(1,342,095)**
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR			
Items that will not be reclassified subsequently to profit or loss			
UNREALISED (LOSS) / GAIN ON EQUITY INVESTMENTS*	19	(382,000)	(43,578)
REALISED GAIN ON DISPOSAL OF EQUITY INVESTMENT		-	597,032
LOSS ON PROPERTY REVALUATION*	20	-	(123,406)
POST EMPLOYMENT BENEFIT OBLIGATION ACTUARIAL (LOSS)/GAIN*	27	(390,110)	334,290
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(772,110)	764,338
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,038,795** ========	**(577,757)** ========
EARNINGS PER SHARE		9.13	(5.66)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE *	11	=======	========

**Note 37 provides details regarding the restatements as a result of an error.*

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

STATEMENT OF FINANCIAL POSITION

	Note	2021	2020 Restated*	1 January 2020 Restated*
		US$	US$	US$
ASSETS				
Bank and cash balances	12	5,912,851	5,206,525	6,491,129
Short term bank deposits	13	25,677,981	42,200,586	50,482,387
Derivative financial assets	14 (a)	294,495	431,607	346,386
Repossessed Collateral	15	4,485,919	4,570,850	4,643,805
Loans and advances to customers*	16	112,591,672	108,133,352	122,086,724
Other receivables*	17	1,486,726	1,894,023	1,398,235
Equity investments	19	5,458,000	5,840,000	3,960,000
Investments in joint ventures	18	4,086,707	3,687,279	3,696,255
Property and equipment*	20	1,115,618	1,187,826	3,507,958
Intangible assets	21	418,949	139,218	177,674
Government grant	22	96,987	100,867	104,746
Investment properties*	23	5,691,947	4,055,946	1,250,326
TOTAL ASSETS		**167,317,852**	**177,448,079**	**198,145,625**
		=========	=========	=========
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	24	120,795,000	106,781,000	97,388,000
Share premium	24	61,343,803	50,510,981	43,250,192
Revaluation reserve *		469,889	501,574	2,120,929
Accumulated deficit*		(20,843,230)	(22,295,710)	(22,413,446)
Credit loss reserve		1,000,000	1,000,000	1,000,000
Investment revaluation reserve*		(1,954,748)	(1,572,748)	(2,496,610)
Special reserve – Shelter Afrique Foundation	25	793,053	1,320,044	1,585,277
Total equity		**161,603,767**	**136,245,141**	**120,434,342**

STATEMENT OF FINANCIAL POSITION (Continued)

LIABILITIES				
Other payables	26	1,551,846	1,885,238	1,746,653
Post-employment benefits obligations	27	2,285,530	2,435,224	2,166,391
Dividends payable	28	1,369,118	1,369,118	1,369,118
Derivative financial liabilities	14(b)	12,586	258,247	-
Deferred income	29	495,005	541,440	772,094
Medium term notes	30	-	1,579,852	4,763,406
Lines of credit	31	-	33,133,819	66,893,621
Total liabilities		**5,714,085**	**41,202,938**	**77,711,283**
TOTAL EQUITY AND LIABILITIES		**167,317,852**	**177,448,079**	**198,145,625**
		=========	=========	=========

The financial statements on pages 15 to 99 were approved and authorised for issue by the Board of Directors on

31 May 2022 and signed on its behalf by:

Director **Director**

Note 37 provides details regarding the restatements as a result of an error.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER2021

STATEMENT OF CHANGES IN EQUITY

	Share capital US$	*Share premium US$*	*Revaluation reserve**** US$*	*Accumulated deficit US$*	*Credit loss reserve** US$*	*Investment revaluation reserve US$*	*Special reserve - Shelter Afrique Foundation US$*	*Total equity US$*
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
At 1 January 2020	97,388,000	43,250,192	2,777,594	(28,083,460)	1,000,000	(2,496,610)	1,585,277	115,420,993
Correction of error (Note 37):								
-Transfer from property and equipment to investment properties	-	-	(656,665)	656,665	-	-	-	-
-Net income on stage 3 loans	-	-	-	5,013,349	-	-	-	5,013,349
1 January 2020 Restated ****	**97,388,000**	**43,250,192**	**2,120,929**	**(22,413,446)**	**1,000,000**	**(2,496,610)**	**1,585,277**	**120,434,342**
	=========	========	========	========	========	=========	=========	=========
Correction of error (Note 37):								
- Transfer from property and equipment to investment properties****	-	-	(1,464,264)	1,464,264	-	-	-	-
Profit for the year (Restated****)	-	-	-	(1,342,095)	-	-	-	(1,342,095)
Other comprehensive income for the year	-	-	(123,406)	334,290	-	553,454	-	764,338
Transfer of cumulative loss on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	(370,408)	-	370,408	-	-
Payments on behalf of Shelter Afrique Foundation	-	-	-	-	-	-	(265,233)	(265,233)
Transfer of excess depreciation	-	-	(31,685)	31,685	-	-	-	-
Transactions with owners:								
Issue of share capital	9,393,000	7,260,789	-	-	-	-	-	16,653,789
At 31 December 2020	**106,781,000**	**50,510,981**	**501,574**	**(22,295,710)**	**1,000,000**	**(1,572,748)**	**1,320,044**	**136,245,141**
	=========	========	========	========	========	=========	=========	=========
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**
	=========	========	========	========	========	=========	=========	=========

* Note 37 provides details regarding the restatements as a result of an error.

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

*** The investment revaluation reserve relates to the revaluation of unquoted equity which are carried at fair value.

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

STATEMENT OF CASH FLOWS

	Note	2021	2020 Restated*
		US$	US$
Net cash (used in) / from operations	33(a)	(6,873,116)	6,003,330
Interest paid on medium term notes	30	(329,492)	(207,136)
Interest paid on lines of credit	31	(1,145,495)	(1,891,872)
Other finance charges paid		(547,886)	-
Interest received		6,082,045	9,081,746
Payments on behalf of Shelter Afrique Foundation	25	(526,991)	(265,233)
Proceeds from repossessed collateral	15	86,476	75,532
Post-employment Benefits paid	27	(84,029)	(31,846)
Net cashflows (used in) /from operating activities		**(3,338,488)**	**12,764,521**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equity investments	19	-	(2,215,860)
Proceeds from sale of equity investments	19	-	889,314
Purchase of property and equipment	20	(191,414)	(115,188)
Purchase of intangible assets	21	(408,879)	(53,668)
Investment in Properties	23	(1,636,000)	(800,000)
Investment in Joint Venture	18	(507,328)	-
Net cash used in investing activities		**(2,743,621)**	**(2,295,402)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid up capital during the year	24	24,846,822	16,653,789
Repayment of medium-term notes	30	(1,557,457)	(3,379,091)
Repayment of lines of credit	31	(32,810,734)	(33,371,438)
Net cash used in financing activities		(9,521,369)	(20,096,740)
DECREASE IN CASH AND CASH EQUIVALENTS		(15,603,478)	(9,627,621)
AT START OF YEAR		47,407,111	56,973,516
EFFECT OF EXCHANGE RATE CHANGES		(212,801)	61,216
AT END OF YEAR	**33(b)**	**31,590,832**	**47,407,111**
		=========	=========

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

NOTES

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 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.

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 reporting 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

The Company reported a total comprehensive income of US $ 1,038,795 during the year ended 31 December 2021 (2020 Restated: total comprehensive loss of US $ 577,757) and had an accumulated deficit of US $ 20,843,230 as of that date (2020 Restated: US $ 22,295,710). The Company was in a net asset position of US $ 161,603,768 (2020 Restated: US $ 136,245,141). 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. The Company has mobilized new debt through issue in Securities exchange of Nigeria approved of Naira equivalent of US $ 500,000 to support business growth in the year ending 31 December 2022. The shareholders also remain committed to support the business though annual injection of capital, the budget capital to be mobilized from shareholders is US $ 20 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

Going concern (continued)

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 2021 and have been applied by the Company:

Covid-19-related Rent Concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying 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 concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021.

However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment.

If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

(i) New and amended standards adopted by the Company (continued)

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policy and disclosure (continued)

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The LIBOR transition risk spans the economic risk of client portfolios, operational risk, funding risk, conduct risk, and legal risk. Given the importance of LIBOR across the financial services industry, the LIBOR transition poses significant transition risk if not addressed in a timely and comprehensive manner.

The Company has put in place the following strategic planning and risk mitigation initiatives.

(i) A LIBOR transition program with clear terms of reference and executive committee oversight

(ii) Business impact analysis done, and all contracts identified and the exposure quantified.

Identification of risks and timely implementation of risk mitigation. These risks included operational risks and legal risks. Mitigation measures in place include:

- Proposed timely communication with all the bank's clients
- Revision of all LIBOR linked contracts and including legal advice
- Training of all key stakeholders within the LIBOR ecosystem

The Directors have approved the following replacement reference rates for existing and new borrowers; (a) all New contracts should use Risk Free Rates (RFRs) for the applicable tenor terms. For USD Libor should be replaced by Secured Overnight Financing Rate (SOFR); (b) existing USD Libor linked borrowing contracts maturing after 30 June 2023 and 31 December to be replaced by SOFR.

The following table contains details of all of the financial instruments that Shelter Afrique holds at 31 December 2021 which reference the LIBOR:

	Carrying Amount	
	Assets US$	**Liabilities US$**
Loans and advances to customers – USD Libor	108,600,000	-
Approved and signed project loans not disbursed	**4,378,212**	**-**

The above changes have not had a significant impact on the Company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Changes in accounting policy and disclosure (continued)

(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 2021 reporting periods and have not been early adopted by the company.

Number	*Effective date*	*Executive summary*
Amendment to IFRS 3, 'Business combinations' Asset or liability in a business combination clarity	Annual periods beginning on or after 1 January 2022 (Published May 2020)	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 recognise contingent assets, as defined in IAS 37, at the acquisition date.
Amendments to IAS 16 'Property, Plant and Equipment': Proceeds before Intended Use	Annual periods beginning on or after 1 January 2022 (Published May 2020	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.
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract	Annual periods beginning on or after 1 January 2022 (Published May 2020)	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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

New and amended standards not yet adopted by the Company (continued)

Number	Effective date	Executive summary
Amendment to IAS 1 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2022 (Published Jan 2020)	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. Classification is unaffected by expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).
Annual improvements cycle 2018 -2020	Annual periods beginning on or after 1 January 2022 (Published May 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 this 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. • IAS 41, 'Agriculture' has been amended to align the requirements for measuring fair value with those of IFRS 13. The amendment removes the requirement for entities to exclude cash flows for taxation when measuring fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

New and amended standards not yet adopted by the Company (continued)

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.

(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 Bank 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 amortisation 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Interest income and expense (continued)

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, commission and other income

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

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) Borrowing costs

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

(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 the interest.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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) Government grants

Government and other grants are capital grants and are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Grants are initially recognised as deferred income at fair value and are subsequently amortised to profit or loss as follows:

Government of Kenya land grant Amortised over the period of the lease of the land on a straight-line basis.
The company holds only one capital grant from the government of Kenya.

(k) Property and equipment

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

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

Cost includes expenditures that are directly attributable to the acquisition of the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Property and equipment (continued)

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

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

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

Revaluation surplus

Leasehold land and buildings are revalued every five years. The carrying amounts are adjusted to the revaluations and the resulting increase, net of deferred tax, is recognised in other comprehensive income and presented in the revaluation reserve within equity. Revaluation decreases that offset previous increases of the same asset are charged or recognised in other comprehensive income with all other decreases being charged to profit or loss.

Revaluation surpluses are not distributable.

Depreciation on revalued land and buildings is recognised in profit or loss. An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation

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

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

Buildings on leasehold land are depreciated over the estimated useful life of the building, or the lease period, whichever is shorter. The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of non-financial assets (continued)

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.

(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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

Initial recognition and measurement

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

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

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

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

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

(i) Classification and subsequent measurement

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

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

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

Debt instruments

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

Classification and measurement of debt instruments depend on:

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

(i) Classification and subsequent measurement (Continued)

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

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

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

Business model 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

(ii) Derecognition (Continued)

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

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

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

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

(ii) Impairment of financial assets

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

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

(iii) Modification of loans

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

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.

- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Financial instruments (continued)

(iii) Modification of loans (continued)

- 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

(i) Classification and subsequent measurement

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

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

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

- Financial guarantee contracts and loan commitments

(ii) Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The exchange between Shelter Afrique and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(p) 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 bank 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.

(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) 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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

(u) Deferred income

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

(v) 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.

(w) 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.

(x) 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.

(y) Cash and bank equivalents

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) 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.

(aa) Taxation

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

(bb) 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.

(cc) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(a) Measurement of the expected credit loss allowance

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

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

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

(b) Investment properties and buildings

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

(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 Group'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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

4. INTEREST INCOME

	2021	2020 Restated*
	US$	US$
Project finance loans	6,882,610	7,590,935
Lines of credit advances	3,981,961	4,799,362
Fees and commissions on loans and advances (Note 6)	782,314	760,891
Staff Loans	131,773	92,697
	11,778,658	13,243,885
Placements with financial institutions	1,096,010	1,461,982
	12,874,668	14,705,867
	=========	=========
Geographical concentration analysis:		
Eastern Africa	5,373,218	6,191,006
Southern Africa	2,308,186	3,079,719
Francophone West/Central Africa	2,709,578	2,343,895
Anglophone West Africa	1,255,903	1,536,569
Staff Loans	131,773	92,697
	11,778,658	13,243,886
	========	========

The main types of loan products to customers are:

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

5. INTEREST EXPENSE AND SIMILAR CHARGES

	2021	2020
	US$	US$
Interest expense		
Medium term notes (note 30)	329,492	207,136
Lines of credit (note 31)	1,145,495	1,891,872
Other similar charges	1,474,987	2,099,008
Other financial charges*	547,886	(296,321)
	2,022,873	1,802,687
	========	========

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

6. FEES AND COMMISSIONS INCOME

		2021	2020
		US$	US$
Commitment fees	– project finance	24,063	8,786
	– lines of credit	13,599	727
Appraisal fees	– project finance	57,489	135,066
	– lines of credit	183,750	42,500
Front end fees	– project finance	52,082	107,339
	– lines of credit	80,880	114,022
Penalty fees	– project finance	185,722	-
	– lines of credit	-	15,152
Management fees	– project finance	99,067	151,919
	– lines of credit	40,742	33,870
Other fees	– lines of credit	31,577	151,510
	– project finance	13,343	-
		782,314	760,891
		========	========

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

7. OTHER INCOME

	2021	2020
	US$	US$
Rental income	558,055	261,531
Gain on sale of recovered properties	1,544	2,577
Dividend income from equity investments	31,530	9,221
Revaluation loss on investment properties	-	(56,353)
	591,129	216,976
	======	======

8. OPERATING EXPENSES

	2021	2020
	US$	US$
Staff costs (note 9)	5,388,860	5,591,416
Consultancy fees and legal fees	805,737	789,077
Depreciation on property and equipment (Note 20)	263,622	249,809
Amortisation of intangible assets and investment properties	129,148	92,124
(Note 21)	3,879	3,879
Amortisation of grant asset (Note 22)	50,000	46,000
Auditor's remuneration	389,850	161,650
Directors' fees (Note 35)	94,655	68,591
Other Directors' costs	552,653	140,758
Official missions	215,424	95,902
Business promotion	150,135	1,448,637
Other administration costs		
	8,043,963	8,687,843
	=======	=======

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

9. STAFF COSTS

	2021	2020
	US$	US$
Salaries and wages	3,955,490	4,270,455
Retirement benefits cost:		
Defined contribution Scheme	485,836	479,375
Defined benefit scheme (Note 27)	324,445	415,355
Leave accrual (Note 26 (ii))	138,871	72,265
Other costs	484,218	353,966
	5,388,860	5,591,416
	========	========
	2021	2020
	Numbers	Numbers
Employees	46	47
	========	========

10. NET FOREIGN EXCHANGE LOSSES

	2021	2020
	US$	US$
Net losses on foreign currency transactions	(1,236,042)	(524,618)
	========	========

11. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit/(loss) attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares has been computed as a reasonable approximation of the number of ordinary shares outstanding during the period, which is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued during the period multiplied by a time-weighting factor. There were no discontinued operations and no potentially dilutive shares outstanding at 31 December 2021 and 31 December 2020.

	2021	2020
	US$	US$
Profit /(loss) attributable to shareholders	1,038,795	(577,757)
	=======	=======
Weighted average number of ordinary shares	113,788	102,085
	=======	=======
Basic and diluted earnings/(loss) per share	9.13	(5.66)
	=======	=======

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

12.CASH AND BANK BALANCES

	2021	*2020*
	US$	**US$**
Cash and bank balances	5,912,851	5,206,525
	========	========
Cash and bank balances analysis based on denominated currencies:		
United States Dollars (US$)	4,759,552	3,048,292
Kenya Shillings	443,465	248,590
FCFA	308,099	299,425
Euro	381,333	446,332
South African Rand	19,465	1,161,463
Naira	937	2,423
	5,912,851	5,206,525
	========	========

13. SHORT TERM BANK DEPOSITS

	2021	*2020*
	US$	**US$**
Call and term deposits with banks	27,260,211	43,756,751
Less: provision for impairment	(1,582,230)	(1,556,165)
	25,677,981	42,200,586
	========	========
Amounts per currency		
United States Dollars (US$)	23,097,099	38,279,924
Kenya Shillings	1,833,156	1,229,768
Rand	340,986	-
FCFA	-	2,260,502
Euro	406,740	430,392
	25,677,981	42,200,586
	========	========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

13. SHORT TERM BANK DEPOSITS (Continued)

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

The movement in provision is as follows:

	2021	2020
	US$	US$
At 1 January	1,556,165	1,539,401
Increase in provision during the year	26,065	16,764
At 31 December	1,582,230	1,556,165
	========	========

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:

	2021	2020
	US$	US$
United States Dollars (US$)	3.06%	3.19%
Kenya Shillings	7.18%	6.94%
Rand	6.00%	6.00%
Euro	2.00%	2.50%
FCFA	-	4.50%
	======	======

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.

	2021	2020
	US$	US$
(a) Derivative financial asset	294,495	431,607
African Development Bank	=======	=======
(a) Derivative financial liability	(12,585)	(258,247)
NCBA Bank Kenya Limited	=======	=======

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

15. REPOSSESSED COLLATERAL

	2021	2020
	US$	US$
Land	1,221,239	1,221,239
Buildings	3,264,680	3,349,611
	4,485,919	4,570,850
	=======	=======

The movement in buildings in the year is as follows:

	2021	2020
	US$	US$
At 1 January	3,349,611	3,422,566
Disposals	(84,932)	(72,955)
At 31 December	3,264,679	3,349,611
	=======	=======

The Company's repossessed collaterals comprise 11 apartments (2020: 11) in Eden Beach Resort & Spa in Mombasa, Kenya, and 15 houses (2020: 16) and vacant land in Athi River, Kenya.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

16. LOANS AND ADVANCES TO CUSTOMERS

	2021	*2020 Restated**	*1 January 2020 Restated**
	US$	**US$**	**US$**
Principal loans and advances to customers	146,989,651	148,779,600	171,416,933
Staff loans and advances	4,753,293	3,879,084	2,438,561
Interest and fees receivable	92,503,809	75,490,449	60,872,780
Provision for expected credit losses	244,246,753	228,149,132	234,728,274
	(131,655,081)	(120,015,780)	(112,641,550)
Net loans and advances	112,591,672	108,133,352	122,086,724
Profile of the loans and advances			
Current portion	58,992,233	50,102,571	55,911,959
Non-current portion	53,599,439	58,030,781	66,174,765
	112,591,672	108,133,352	122,086,724
	==========	==========	==========
Product analysis			
Project finance	53,777,728	52,496,166	55,858,557
Lines of credit	54,191,548	51,758,102	63,789,606
Staff Loans	4,622,396	3,879,084	2,438,561
	112,591,672	108,133,352	122,086,724
	==========	==========	==========

The average effective interest rate on loans and advances to customers at 31 December 2021 10.70 % (2020 12.04%). For project finance portfolio 12.33% (2020: 13.89%) and lines of credits at 7.92% (2020: 8.64%.) 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% (2020: 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 2021 was US$ 130,897 (2020; Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

16. LOANS AND ADVANCES TO CUSTOMERS (Continued)

The movement in the principal loans and advances is as follows:

	2021	2020 Restated*	1 January 2020 Restated*
	US$	US$	US$
At 1 January	152,658,684	173,855,494	217,401,042
Disbursements during the year	33,846,260	22,062,401	6,362,505
Repayment during the year	(33,086,273)	(34,650,174)	(51,736,371)
Amounts written off during the year	-	(7,150,854)	-
Capitalised interest and fees	374,260	-	1,651,740
Exchange difference	(2,049,987)	(1,458,183)	176,578
At 31 December	151,742,944	152,658,684	173,855,494
	=========	=========	=========

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:

	2021	2020 Restated*	1 January 2020 Restated*
	US$	US$	US$
At 1 January as previously stated	84,509,817	94,430,684	91,960,839
Correction of error (Note 37):			
Expected credit losses on recognition of income on stage 3 loans and advances	35,505,963	18,210,866	5,738,508
1 January restated	120,015,780	112,641,550	97,699,347
Charge for the year – loans to customers (restated*)	-	9,775,176	8,543,919
Charge for the year – loans to customers	2,613,614	-	-
Recoveries on impaired loans and advances	(2,525,399)	(4,448,828)	(2,043,128)
Write off during the year	-	(7,006,186)	-
Exchange difference	(1,181,883)	(1,659,340)	113,883
Correction of error (Note 37):			
Expected credit losses on recognition of income on stage 3 loans and advances	12,732,969	10,713,408	8,327,529
At 31 December	131,655,081	120,015,780	112,641,550
	=========	========	========
Maturity analysis of gross loans			
Within one year	186,506,000	170,118,351	168,553,511
One year to five years	54,621,564	50,340,435	59,910,041
Over five years	3,119,189	7,690,419	6,264,722
	244,246,753	227,646,121	234,728,274
	=========	=========	=========

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

16. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	2021	*2020 Restated**
	US$	**US$**
Expected credit losses	(2,613,615)	(9,775,176)
Recoveries	2,525,399	4,448,828
	(88,216)	(5,326,348)
	========	========

17. OTHER RECEIVABLES

	2021	*2020 Restated**
	US$	**US$**
Other debtors	2,146,621	2,084,994
Prepayments	488,235	786,434
Less: expected credit losses	(1,148,130)	(977,405)
	1,486,726	1,894,023
	========	========
Other debtors	1,248,065	385,311
Prepayments	238,661	1,508,712
Less: expected credit losses		
	1,486,726	1,894,023
	========	========

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

	2021	*2020*
	US$	**US$**
As at 1 January	977,405	997,749
Additions	193,113	-
Exchange difference	(22,388)	(20,344)
At 31 December	1,148,130	977,405
	======	======

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

18. INVESTMENTS IN JOINT VENTURES

Set out below are the joint ventures of the group as at 31 December 2021 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.

	2021	2020
	US$	US$
Everest Park Project	1,074,170	1,128,977
Rugarama Park Estates Project	2,283,045	2,313,520
Kew Gardens Project	729,492	244,782
Glenwood Gardens Project*	884,173	884,173
Impairment - Glenwood Gardens Project	(884,173)	(884,173)
	4,086,707	3,687,279
	========	========
Movement in the joint ventures is as follows:		
At 1 January	3,687,279	3,696,255
Addition	507,328	-
Share of (loss)/profit	(50,423)	89,443
Exchange difference	(57,477)	(98,419)
At 31 December	4,086,707	3,687,279
	========	========

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.

(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 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

18. INVESTMENTS IN JOINT VENTURES (Continued)

(a) Everest Park Project (Continued)

	2021	2020
	US$	US$
Draft statement of financial position:		
Property held for sale	3,413,428	4,352,050
Trade and other receivables	47,459	49,166
Cash and cash equivalents	54,938	156,972
Total current assets	3,515,825 ========	4,558,188 ========
Borrowings and other payables	1,155,090	2,006,743
Total current liabilities	1,155,090	2,006,743
Equity	2,360,735	2,551,445
Total equity and liabilities	3,515,825 ========	4,558,188 ========
Draft statement of profit & loss and other comprehensive income:		
Revenue	818,652	896,632
Other income	120,108	166,403
Less: Direct Costs	(960,989)	(827,355)
Gross (loss)/profit	(22,229)	235,680
Administration expenses	(9,965)	(25,785)
((Loss)/profit before tax	(32,194)	209,895
Income tax expense	-	-
(Loss)/profit for the year	(32,194)	209,895
Share of joint venture's (loss)/profit (50%)	(16,097) ========	104,948 ========
Reconciliation of investment in joint venture		
1 January	1,128,977	1,103,458
Share of (loss)/profit	(16,097)	104,948
Exchange difference	(38,710)	(79,428)
At 31 December	1,074,170 ========	1,128,978 ========

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

18. INVESTMENTS IN JOINT VENTURES (Continued)

(b) Glenwood Gardens Project

Glenwood Gardens Project is a joint venture between Shelter Afrique and Glenwood Gardens Limited with effect from 20 May 2015. The project is situated in Ndenderu, Ruaka, Kiambu County, Kenya. The purpose of the joint venture is to acquire, own, develop, construct, operate and sell the subject property and improvements as an investment for production of income. The joint venture was incorporated in Kenya and the principal place of business is Shelter Afrique Centre, Longonot road, Nairobi, Kenya. The joint venture is not a listed entity. The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 50% and Glenwood Gardens Limited - 50%. The term of the joint venture is up to 1 January 2022. In 2018 the joint venture was fully impaired and the profit or loss arising from the joint venture has also been fully impaired over the years because the project has stalled and is non-performing and under a workout consideration by the Special operations unit.

	2021	2020
	US$	US$
Inventory	9,098,952	6,895,136
Cash and bank balances	3,341	3,505
Trade and other receivables	886,336	918,229
Total assets	9,988,629	7,816,870
Borrowings and other payables	8,015,533	5,768,791
Total liabilities	8,015,533	5,768,791
Equity	1,973,096	2,048,079
Total equity and liabilities	9,988,629 =======	7,816,870 =======
Draft statement of profit & loss and other comprehensive income:		
Administration expenses	(3,848)	(3,791)
Loss before tax	(3,848)	(3,791)
Income tax expense	-	-
Loss for the year	(3,848) =======	(3,791) =======
Share of joint venture's loss (50%)	(1924) =======	(1,896) =======
Reconciliation of investment in joint venture		
1 January		-
Share of loss	(1,924)	(1,896)
Impairment loss	1,924	1,896
At 31 December	- =======	- =======

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

18. INVESTMENTS IN JOINT VENTURES (Continued)

(c) Kew Gardens Project

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

The venturers have the following undivided interest in the Joint Venture: Shelter Afrique – 19.8% and Itoga Investments Holdings Limited – 80.2%. The term of the joint venture was up to 31 December 2021, but stalled, and is under a loan workout arrangement by the Special operations unit. As of 31 December 2021, 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.

	2021	2020
	US$	US$
Draft statement of financial position:		
Inventory	17,570,772	15,296,375
Land	-	2,747,962
Cash and bank balances	4,429	-
Trade and other receivables	166,529	-
Total assets	17,741,730 ========	18,044,337 ========
Borrowings and other payables	14,763,332	14,948,906
Equity	2,978,398	3,095,431
Total equity and liabilities	17,741,730 ========	18,044,337 ========
Draft statement of profit & loss and other comprehensive income:		
Administration expenses	(9,727)	(4,168)
Loss before tax	(9,727)	(4,168)
Income tax expense	-	-
Loss for the year	(9,727) ========	(4,168) ========
Share of joint venture's loss (19.8%)	(1926) ========	(825) ========
Reconciliation of investment in joint venture		
1 January	244,782	264,597
Additions	507,328	-
Share of loss	(1,926)	(825)
Exchange difference	(20,693)	(18,990)
At 31 December	729,492 ========	244,782 ========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

18. INVESTMENTS IN JOINT VENTURES (Continued)

(d) Rugarama Park Estates Limited

Rugarama Park Estates Limited is a joint venture between Shelter Afrique and Banque Rwandaise de Development (BRD) to undertake a development and subsequent implementation of an affordable housing project. The project is situated in Rugarama, Nyarugenge district within the City of Kigali, partnered with BRD to co-finance the development of about 2,700 housing units and infrastructure services in Nyarugenge district, Kigali. The project is in collaboration with the City of Kigali.

The principal place of business in Nyarugenge, Kigali, Rwanda. The joint venture is governed by the laws of the Republic of Rwanda and is not listed.

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

As of 31 December 2021, 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.

	2021	2020
	US$	US$
Statement of financial position:		
Cash and bank balances	130,170	195,000
Work in progress	5,513,420	6,738,000
Property and equipment	25,000	27,000
Trade and other receivables	206,230	-
Total assets	5,874,820	6,960,000
Other payables	2,222,380	2,046,000
Total liabilities	2,222,380	2,046,000
Equity	3,652,440	4,914,000
Total equity and liabilities	5,874,820 ========	6,960,000 ========
Statement of profit & loss and other comprehensive income:		
Administration expenses	(60,950)	(29,360)
Loss before tax	(60,950)	(29,360)
Income tax expense	-	-
Loss for the year	(60,950) ========	(29,360) ========
Share of joint venture's loss (50%)	(30,475) ========	(14,680) ========
Reconciliation of investment in joint venture		
1 January	2,313,520	2,328,200
Share of loss	(30,475)	(14,680)
At 31 December	2,283,045 ========	2,313,520 ========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

19. EQUITY INVESTMENTS

	Currency	*At 1 January*	*Additions at cost*	*Disposals*	*Changes in fair value*	*Exchange difference*	*At 31 December*
		US$	US$	US$	US$	US$	US$
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	(96,779)	1,317,000
Tanzania Mortgage Refinance Company Limited							
Kenya Mortgage Refinance Company Limited	USD	1,060,000	-	-	106,000	-	1,166,000
	KES	2,470,000	-	-	(151,119)	(71,881)	2,247,000
		5,840,000	**-**	**-**	**(213,340)**	**((168,660)**	**5,458,000**
		=======	========	========	========	========	========
31 December 2021							
At fair value through other comprehensive income							
Pan African Housing Fund LLC (Mauritius)	USD	1,570,000	241,240	-	(751,240)	-	1,060,000
Banque de L'Habitat du Burkina Faso (BHBF)	FCFA	400,000	-`	(292,282)	-	(107,718)	-
Caisse Régionale de Refinancement Hypothécaire (CRRH), Togo				-			
Tanzania Mortgage Refinance Company Limited	FCFA	1,020,000	-		130,460	99,540	1,250,000
Kenya Mortgage Refinance Company Limited	USD	970,000	-	-	90,000	-	1,060,000
	KES	-	1,974,620	-	638,025	(142,645)	2,470,000
At 31 December 2020		**3,960,000**	**2,215,860**	**(292,282)**	**107,245**	**(150,823)**	**5,840,000**
		=======	========	========	========	========	========

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

19. 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.

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

BHBF is a limited company with a share capital of 5,000 million CFA Francs, with its headquarters in Ouagadougou, Burkina Faso. It was created by the government of Burkina Faso in 2006 to support the development of the housing sector and to strengthen the mortgage market in Burkina Faso. Shelter Afrique's investment comprised of 52,632 shares at a par value of FCFA 10,000 with a cost of FCFA 13,900 per share.

In the year ended 31 December 2020, on private acquisition of BHBF the Directors resolved to dispose-off the investment as follows:

	2021 US$	2020 US$
Fair value loss at the start of year	-	(967,440)
Gain on disposal	-	597,032
Fair value loss at end of year transferred to accumulated deficit	-	370,408
	======	=======

For the purpose of the cash flow statement the sales proceeds reconcile as follows:

	2021 US$	2020 US$
Proceeds from disposal	-	889,314
Fair value at the date of derecognition	-	(292,282)
Gain on disposal	-	597,032
	======	========

Pan African Housing Fund LLC (PAHF)

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

Tanzania Mortgage Refinance Company Limited (TMRC)

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

Kenya Mortgage Refinance Company Limited (KMRC)

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

20. PROPERTY AND EQUIPMENT

	Buildings	*Freehold land*	*Office equipment, furniture, and fitting*	*Computers*	*Motor vehicles*	*Residential equipment, furniture and fittings*	*Total*
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Cost or valuation							
At 1 January 2020 as previous-ly stated	4,222,245	778,899	672,962	364,667	196,293	201,843	6,436,909
Correction of error (Note 37**): Transfer to investment properties	(1,459,432)	-	-	-	-	-	(1,459,432)
At 1 January 2020 **	2,762,813	778,899	672,962	364,667	196,293	201,843	4,977,477
Additions	-		57,480	57,708	-	-	115,188
Revaluation (deficit)/gain	(606,872)	209,676	-	-	-	-	(397,196)
Correction of error (Note 37**): Transfer to investment proper-ties	(1,283,074)	(988,575)	-	-	-	-	(2,271,649)
At 31 December 2020**	872,867	-	730,442	422,375	196,293	201,843	2,423,820
At 1 January 2021	872,867	-	730,442	422,375	196,293	201,843	2,423,820
Additions	-		19,980	71,437	99,997	-	191,414
At 31 December 2021	872,867	-	750,422	493,812	296,290	201,843	2,615,234
Depreciation							
At 1 January 2020 as previous-ly stated	550,209	-	512,239	306,315	194,916	115,077	1,678,756
Correction of error (Note 37**) Transfer to investment proper-ties	(268,734)	-	-	-	-	-	(268,734)
1 January 2020 Restated	281,475		512,239	306,315	194,916	115,077	1,410,022
Charge for the year	142,362	-	47,546	35,128	-	24,773	249,809
Writeback on revaluation	(423,837)	-	-	-	-	-	(423,837)
At 31 December 2020**	-	-	559,785	341,443	194,916	139,850	1,235,994
At 1 January 2021	-	-	559,785	341,443	194,916	139,850	1,235,994
Charge for the year	118,662	-	58,397	47,723	11,793	27,047	263,622
At 31 December 2021	118,662	-	618,182	389,166	206,709	166,897	1,499,616
Net book value							
At 31 December 2021	754,205 ========	- =======	132,240 ========	104,646 ========	89,581 =======	34,946 ========	1,115,618 ========
At 31 December 2020**	872,867 ========	- =======	170,657 ========	80,932 ========	1,377 =======	61,993 ========	1,187,826 ========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

20. PROPERTY AND EQUIPMENT (Continued)

The net revalution loss for the year ended 31 December 2020 amounted to US $ 179,759, of this US $ 56,353 was transferred to investment property as part of the restatement.

Included in property and equipment are assets with a cost of US$ 1,921,125(2020: US$ 1,646,746) which have been fully depreciated. The normal annual depreciation charge on these assets would have been US$ 394,721 (2020: US$ 204,391).
No property or equipment was pledged as security by the Company as of 31 December 2021.
**(Restated, see noted 37).

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 company recognised US$ 409,995 as a revaluation loss.

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 2021 and 31 December 2020 as presented in note 32.

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

	2021	2020
	US$	US$
Cost	974,916	974,916
Accumulated depreciation	(487,458)	(467,960)
Net book amount	487,458	506,956
	========	=======

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

21. INTANGIBLE ASSETS

	2021	2020
	US$	US$
Cost		
At start of year	1,338,194	1,284,526
Additions	408,879	53,668
At end of year	1,747,073	1,338,194
Amortization		
At start of year	1,198,976	1,106,852
Charge for the year	129,148	92,124
At end of year	1,328,124	1,198,976
Net carrying amount	418,949	139,218
	========	========

The Company's intangible assets relate to the computer software Oracle ERP.
Included in intangible assets are assets with a cost of US$ 584,864 (2020: US$ 384,393) which have been fully amortised. The normal annual amortisation charge on these assets would have been US$ 124,242 (2020: US$ 104,736).

22. GOVERNMENT GRANT

	2021	2020
	US$	US$
Value of grant received	200,000	200,000
	=======	=======
At 1 January	100,867	104,746
Released to profit or loss	(3,879)	(3,879)
At 31 December	96,987	100,867
	=======	=======
Current	3,879	3,879
Non-current	93,108	96,988
	96,987	100,867
	=======	=======
Amounts released to date:	103,013	99,133
	=======	=======

The grant relates to leasehold land donated by the Government of Kenya for the construction of the Company's Headquarters Building. The land was donated in 1996 and its deemed value capitalised on acquisition. This is amortised over the duration of the remaining lease period. The related deferred income has been set out in note 28 to these financial statements. There are no unfulfilled conditions or contingencies attaching to this grant.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

23. INVESTMENT IN PROPERTIES

	2021	2020
	US$	US$
Shelter Afrique Centre	984,298	984,297
Othaya Road work in progress	2,436,000	800,000
Othaya Road land	2,271,649	2,271,649
	5,691,947	4,055,946
	========	========

Investment properties comprise of the following:

(i) 53% (2020: 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 are leased to tenants under operating leases with rentals payable quarterly for a minimum of two years. 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 Centre	Othaya road Project	Total
	US$	US$	US$
1 January 2020 as previously stated	-	-	-
Correction of error (Note 37) :			
- Shelter Afrique Centre – leased portion at fair value	1,250,327	-	1,250,327
1 January 2020 restated	1,250,327	-	
Correction of error (Note 37) :			
- Freehold land – Othaya road at fair value	-	778,899	778,899
- Buildings– Othaya road at fair value	-	1,283,074	1,283,074
- Capitalised expenditure - Othaya road project		800,000	800,000
- Revaluation (losses)/gain on Shelter Afrique centre	(266,029)	209,676	(56,353)
At 31 December 2020 restated	984,298	3,071,649	4,055,947
1 January 2021	984,298	3,071,649	4,055,947
Capitalised expenditure - Othaya road project	-	1,636,000	1,636,000
At 31 December 2021	984,298	4,707,649	5,691,947

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

23. INVESTMENT IN PROPERTIES (Continued)

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

	2021 US$	2020 US$
Rental income	558,055	261,531
Direct operating expenses from property that generated rental income	(39,964)	(59,391)

24. SHARE CAPITAL AND SHARE PREMIUM

	2021 US$	2020 US$
Authorised:	1,000,000,000	1,000,000,000
1,000,000 ordinary shares of US$ 1,000 each	==========	==========
Issued and called:	288,246,000	288,246,000
288,246 (2020: 288,246) ordinary shares of US$ 1,000 each	==========	==========
Issued and fully paid:		
Class A: Issued and fully paid:		
101,075 (2020: 87,061) ordinary shares of US$ 1,000 each	101,075,000	87,061,000
Class B: Issued and fully paid:		
19,720 (2020: 19,720) ordinary shares of US$ 1,000 each	19,720,000	19,720,000
	120,795,000	106,781,000
	=========	=========
Callable capital	500,000,000	500,000,000
	=========	=========

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

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

	Number of shares	*Ordinary shares*	*Ordinary shares*	*Ordinary shares*
	US$	**US$**	**US$**	**US$**
At 1 January 2020	97,388	97,388,000	43,250,192	140,638,192
Paid up during the year	9,393	9,393,000	7,260,789	16,653,789
At 31 December 2020	106,781	106,781,000	50,510,981	157,291,981
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
	=======	========	=========	=========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

24. SHARE CAPITAL AND SHARE PREMIUM (Continued)

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 (2020: US$ 1,773) for current shareholders and US$ 2,334 (2020: US$ 2,334) for new shareholders.

25. SPECIAL RESERVE – SHELTER AFRIQUE FOUNDATION

	2021 US$	2020 US$
At 1 January	1,320,044	1,585,277
Payments on behalf of Shelter Afrique Foundation	(526,991)	(265,233)
At 31 December	793,053	1,320,044
	=======	=======

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 2021 not have a material impact to the Company and therefore have not consolidated.

The Directors do not recommend any appropriation to the Foundation. (2020:Nil)

26. OTHER PAYABLES

	2021 US$	2020 US$
Accruals	923,217	1,321,964
Leave accrual (Note 26(ii))	542,902	457,737
Rent deposits	50,702	76,787
Share capital subscriptions (fractional shares)	35,025	28,750
	1,551,846	1,885,238
	=======	=======

(i) The movement in the share capital subscriptions (fractional shares) is as follows:

	2021 US$	2020 US$
At 1 January	28,750	26,388
Increase in capital subscriptions during the year	20,289	2,362
Transfer to share capital (Note 24)	(14,014)	-
TAt 31 December	35,025	28,750
	=======	======

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

26. OTHER PAYABLES (continued)

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:

	2021 US$	2020 US$
At 1 January	457,737	448,966
Increase in accrual	138,871	72,265
Payments in the year	(53,706)	(63,494)
At 31 December	542,902	457,737
	=======	=======

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.

27. POST EMPLOYMENT BENEFIT OBLIGATION

	2021 US$	2020 US$
Post-employment benefit obligation	2,285,530	2,435,224
	========	========

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

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

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

	2021 US$	2020 US$
Net liability at start of period	2,435,224	1,717,425
Net expense recognised in the income statement	324,445	415,355
Remeasurement Actuarial (loss)/gain	(390,110)	334,290
Benefits paid	(84,029)	(31,846)
Net liability at end of period	2,285,530	2,435,224
	========	========

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 2021, the Company contributed US$ 467 (2020: US$ 585) which has been charged to the profit or loss account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

27. POST EMPLOYMENT BENEFIT OBLIGATION (Continued)

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.

Year ended 31 December 2021

	Scenario – 1 Base	Scenario – 2 Discount Rate	Scenario – 3 Salary Rate	Scenario – 4 Discount Rate	Scenario – 5 Salary Rate
		Increased by 0.25%	Increased by 0.25%	Decreased by 0.25%	Decreased by 0.25%
Discount Rate Salary Increases	2.00% 3.00%	2.25% 3.00%	2.00% 3.25%	1.75% 3.00%	2.00% 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

Year ended 31 December 2020

	Scenario – 1 Base	Scenario – 2 Discount Rate	Scenario – 3 Salary Rate	Scenario – 4 Discount Rate	Scenario – 5 Salary Rate
		Increased by 0.25%	Increased by 0.25%	Decreased by 0.25%	Decreased by 0.25%
Discount Rate Salary Increases	1% 3%	1.25% 3%	1% 3.25%	0.75% 3%	1% 2.75%
Net liability at start of period (US$)	1,717,425	1,717,425	1,717,425	1,717,425	1,717,425
Total Net expense recognised in the income statement(US$)	415,355	415,355	415,355	415,355	415,355
Net expense recognised in the other comprehensive income(US$)	334,290	257,352	410,045	414,802	261,451
Benefits paid by Employer(US$)	(31,846)	(31,846)	(31,846)	(31,846)	(31,846)
Net liability at end of period (US$)	2,435,224	2,358,286	2,510,979	2,515,736	2,362,385

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

28. DIVIDENDS PAYABLE

	2021 US$	2020 US$
Dividends payable	1,369,118	1,369,118
	=======	=======

The Directors do not recommend the payment of dividend in the current financial period (2020: nil).

29. DEFERRED INCOME

	2021 US$	2020 US$
Government of Kenya grant	96,987	100,867
Agence Française de Développement (AFD) interest advantage grant	-	321,759
Deferred front end fees	398,018	118,814
	495,005	541,440
	=========	=========
The movement in the deferred income is as follows;		
At 1 January	541,440	772,094
Amortization of Government of Kenya grant	(3,879)	(3,879)
AFD interest advantage grant utilization for the year	(321,759)	-
Deferred front end fees	279,203	(226,775)
At 31 December	495,005	541,440
	=========	=========

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

30. MEDIUM TERM NOTES

	2021 US$	2020 US$
Communauté Financière Africaine-Franc bond	-	1,869,729
Interest payable on loans	-	42,176
Deferred charges on medium term notes	-	(332,053)
	-	1,579,852
	=========	=========
Maturity analysis:		
Within one year	-	1,579,852
One year to five years	-	-
	-	1,579,852
	=========	=========

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

The medium term note was fully repaid in February 2021.

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

	2021 US$	2020 US$
At 1 January	1,579,852	4,763,406
Repayments in the year	(1,557,457)	(3,379,091)
Interest expense for the year	329,492	207,136
Interest paid in the year	(329,492)	(207,136)
Exchange difference	(22,395)	195,537
At 31 December	-	1,579,852
	=========	=========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

31. LINES OF CREDIT

	Start Date	Maturity Date	Currency	2021 US$	2020 US$
African Development Bank	2010	2021	US$	-	4,940,810
African Development Bank	2014	2021	US$	-	3,424,509
NCBA Bank Kenya Limited	2015	2021	KES	-	2,959,649
European Investment Bank	2014	2021	US$	-	2,197,979
African Development Bank - Social Housing	2013	2021	KES	-	1,140,756
African Development Bank - Trade Finance	2014	2021	US$	-	1,683,071
KFW Bank	2015	2021	US$	-	6,129,241
Ghana International Bank	2019	2021	US$	-	681,079
West African Development Bank	2019	2021	CFA	-	1,804,405
Islamic Corporation Development Bank	2015	2021	US$	-	8,172,321
Interest payable				-	-
				-	33,133,819
				=========	=========
Maturity analysis:					
Within one year				-	5,096,088
One year to five years				-	28,037,731
				-	33,133,819
				=========	=========
Profile of the loans and advances					
Current				-	5,096,088
Non-current				-	28,037,731
				-	33,133,819
				=========	=========
The movement in the lines of credit is as follows					
At 1 January				32,801,766	66,561,569
Repayments in the year				(32,810,734)	(33,371,438)
Interest expense for the year				1,145,495	1,891,872
Interest paid during the year				(1,145,495)	(1,891,872)
Exchange difference				8,968	(388,365)
At 31 December				-	32,801,766
				==========	=========

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

	2021	2020
United States Dollars (US$)	3.61%	4.72%
Kenya Shillings	12.45%	14.00%
FCFA	7.72%	7.69%

The Company on 6 May 2020, signed a debt restructuring arrangement (DRA) with lenders of the lines of credit for debt restructuring. All the debt was restructured for five 5 years, from 2020-2024.However, all outstanding debt was settled on 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

32. 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

	Level 1	*Level 3*	*Level 3*	*Total*
	US$	**US$**	**US$**	**US$**
31 December 2021				
Investment properties	-	5,599,398	-	5,599,398
Buildings	-	846,753	-	846,753
	-	6,446,151	-	6,446,151
	========	========	========	========
31 December 2020				
Investment properties	-	4,055,946	-	4,055,946
Buildings	-	872,867	-	872,867
	-	4,928,813	-	4,928,813
	========	========	========	========

(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 Bank 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

32. FAIR VALUE MEASUREMENT (Continued)

Category (as defined by IFRS 9)		*Class (as determined by the Company)*	*Subclasses*
Financial Instruments	Financial assets at fair value through profit or loss (FVTPL)	Financial assets held for trading	Derivative financial assets
	Amortised cost	Deposits and balances due from financial institutions	
		Due from related parties	
		Loans and advances to customers excluding loan notes at FVTPL	Staff loans Project finance Lines of credit
		Other assets	
	FVOCI	Investment securities	
	Financial liabilities	Other payables	
		Borrowed funds	

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

	At amortised cost US$	*Fair value through OCI US$*	*Total US$*	*Fair value US$*
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	112,591,672
Derivative financial assets	294,495	-	294,495	294,495
Other receivables	1,486,726	-	1,486,726	1,486,726
Equity Investments	-	5,458,000	5,458,000	5,458,000
	145,963,725	5,458,000	151,421,725	151,421,725
	========	========	=========	=========
Liabilities				
Other payables	1,551,846	-	1,551,846	1,551,846
Derivative financial liabilities				
Post-employment benefits	-	2,285,530	2,285,530	2,285,530
	1,564,432	2,285,530	3,849,962	3,849,962
	========	========	========	========
31 December 2020 Assets				
Cash and bank balances	5,206,525	-	5,206,525	5,206,525
Short term bank deposits	42,200,586	-	42,200,586	42,200,586
Derivative financial assets	431,607	-	431,607	431,607
Loans and advances to customers	107,630,340	-	107,630,340	107,630,340
Other receivables	1,894,023	-	1,894,023	1,894,023
Equity Investments	-	5,840,000	5,840,000	5,840,000
	157,363,081	5,840,000	163,203,081	163,203,081
	=========	========	=========	=========

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

32. FAIR VALUE MEASUREMENT (Continued)

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

	At amortised cost US$	Fair value through OCI US$	Total US$	Fair value US$
Liabilities				
Other payables	1,885,238	-	1,885,238	1,885,238
Derivative financial liabilities	12,586	-	12,586	12,586
Post-employment benefits	-	2,435,224	2,435,224	2,435,224
Medium term notes	1,579,852	-	1,579,852	1,579,852
Lines of credit	33,133,819	-	33,133,819	33,133,819
	36,857,156	2,435,224	39,292,380	39,292,380
	=========	========	=========	=========

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

	2021 US$	2020 US$	Fair value hierarchy	Valuation techniques and key inputs
Financial assets				
Financial assets at fair value through other comprehensive income - Equity investments	5,458,000 ========	5,840,000 ======	Level 3	Net asset valuation approach

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

32. FAIR VALUE MEASUREMENT (Continued)

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 2021	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%	13%	13%	5%	5%	5%
Fair value gain (US$'000)	1,130	1,166	1,201	706	728	750	2,179	2,247	2,315	1,277	1,317	1,357
At 31 December 2020												
Fair value (US$'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)	70	106	141	(354)	(332)	(310)	(291)	(223)	(155)	27	67	107

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 by practitioners in Africa as per the PwC Valuation Methodology Survey.
- 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 2020, a fair value loss was observed in PAHF and KMRC whereas a fair value gain was observed in TMRC and CRRH.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

33. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Note	2021	2020* Restated
		US$	US$
Profit/(loss) for the year		1,810,905	(1,342,095)
Adjustments for:			
Interest income		(12,874,668)	(14,705,867)
Interest expense	5	2,022,873	1,802,687
Share of profit/(loss) from joint ventures	18	50,423	(89,443)
Gain on disposal of reprocessed collateral	7	(1,544)	(2,577)
Changes in fair value on investment in properties		-	56,353
Depreciation of property and equipment	20	263,622	249,809
Amortization of intangible assets	21	129,148	92,124
Amortization of grant income	22	3,879	3,879
Exchange difference - joint venture	18	57,477	98,419
Exchange difference - Cash and cash equivalents		212,801	(61,215)
Exchange difference - medium term notes	30	(22,395)	195,537
Exchange difference - lines of credit	31	8,968	(388,364)
Working capital changes:			
Loans and advances to customers		1,546,474	20,508,915
Other receivables		407,297	(495,788)
Derivative financial instruments		(108,549)	173,025
Other payables		(333,393)	138,585
Deferred income		(46,435)	(230,654)
Net cash generated (used in) / from operations		(6,873,116)	6,003,330
		=========	=========

(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:

	2021	2020
	US$	US$
Cash and Bank balances (note 12)	5,912,851	5,206,525
Short term bank deposits (note 13)	25,677,981	42,200,586
Cash and cash equivalents	31,590,832	47,407,111
	========	========

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

34. COMMITMENTS AND CONTINGENT LIABILITIES

	2021	2020
	US$	US$
(a) Commitments		
Approved and signed project loans not disbursed	4,378,212	6,852,362
Commitments to Equity investments	894,418	894,418
Capital budget	1,552,100	1,204,000
	6,824,730	8,950,780
	=========	=========

(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.

	2021	2020
	US$	US$
Within one year	135,583	185,638
Within the second to fifth year inclusive	608,572	525,379
	744,155	711,017
	=======	=======

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$ 4,753,293 (2020: US$ 3,879,084) 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 at 31 December 2021 amounted to US$ 43,940 (2020: US$ 92,697).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

35. RELATED PARTY TRANSACTIONS (Continued)

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

	2021	*2020*
	US$	**US$**
Salaries and other short-term benefits	1,217,387	1,435,859
Post-employment benefits	177,603	186,561
Directors' fees	1,394,990	1,622,420
	389,850	161,650
	1,784,840	1,784,070
	========	========

(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.

	2021	*2020*
	US$	**US$**
Everest Park Project		
At 1 January	1,333,945	2,042,125
Loans granted	-	-
Interest charged on the loan	225,693	355,299
Repayments	(853,428)	(1,063,479)
At 31 December	706,210	1,333,945
	========	========
Glenwood Gardens Project		
At 1 January	3,700,472	3,700,472
Exchange Differences	328,088	-
At 31 December	4,028,560	3,700,472
	========	========
Kew Gardens Project		
At 1 January	11,117,157	11,117,157
Exchange Differences	1,001,009	-
At 31 December	12,118,166	11,117,157
	=========	=========

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

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 28.6% in 2021 (2020 27.12% The capital adequacy ratio has been arrived by taking the company's core capital expressed as a percentage of its risk weighted assets.

The capital structure of the Company consists of debt, which includes the medium-term notes and lines of credit, the company was not holding any lines of credit or medium-term notes as of 31 December 2021 (2020: US$ 34,713,671) as disclosed in notes 30 and 31, respectively, and equity attributable to equity holders, comprising issued and paid capital, reserves and accumulated deficit. Cash and bank balances are not offset against the borrowings in determining the total debt as the Company considers this not relevant to its risk management process in determining gearing ratios.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

	2021	2020
	US$	US$
Total equity*	161,603,768	135,742,130
	=========	=========
Lines of credit	-	33,133,819
Medium term notes	-	1,579,852
Total debt	-	34,713,671
Gearing ratio	-	26%

The table below summarises the composition of the capital adequacy ratio of the Company as of 31 December 2021 and 2020:

A) RISK WEIGHTED ASSETS				
	2021			2020
	US$			US$
Item	**RWA**	**RWA Comp.**	**RWA**	**RWA Comp.**
Credit Risk Exposures - Total	***504,717,418***	89%	***451,496,687***	90%
Project Finances	411,672,857	73%	361,085,428	72%
LoCs	27,286,805	5%	21,856,427	4%
ST Investments	20,679,014	4%	24,481,638	5%
Equity Investments	38,178,828	7%	38,109,116	8%
Other receivables	6,899,914	1%	5,964,078	1%
FX Risk	***39,142,664***	7%	***27,887,273***	6%
Operational Risk	***21,206,567***	4%	***21,206,567***	4%
Sum	***565,066,648***	100%	***500,590,526***	100%
B) CAPITAL - Tier 1				
Item				
Share Capital	120,795,000		106,781,000	
Share Premium	61,343,803		50,510,981	
Revenue Reserves	(22,797,978)		(23,868,458)	
Revaluation Surplus	469,889		501,574	
Charge/Surplus EL-Provisions-Comparison	1,793,053		2,320,044	
Sum	**161,603,767**		**135,245,141**	
CAR	**28.93%**		**30.37%**	
CAR Policy	**≥25%**		**≥ 25%**	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(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

Management of credit risk

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.

i) Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. Shelter Afrique measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Credit risk grading

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Management of credit risk (Continued)

i) Loans and advances (Continued)

Expected credit loss measurement

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

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

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

Significant increase in credit risk (SICR)

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

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

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

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

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

Definition of default and credit-impaired assets

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Management of credit risk (Continued)

i) Loans and advances (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Management of credit risk (Continued)

i) Loans and advances (continued)

Forward-looking information incorporated in the ECL models (continued)

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 2021 and 31 December 2021, 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 sentivity of the expected credit losses to change in economic scenarios as of 31 December 2021.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Management of credit risk (Continued)

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

Loans and advances (Continued)

Significant increase in credit risk (SICR)

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

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

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

Maximum exposure to credit risk — Financial instruments subject to impairment

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

	Stage 1 12-month ECL	*Stage 2 Lifetime ECL*	*Stage 3 Lifetime ECL*	*Total*
	US$	US$	US$	US$
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
	========	========	========	========
31 December 2020				
Total gross carrying amount	66,479,260	13,595,034	147,571,827	227,646,121
Allowance for credit losses	(3,571,025)	(4,924,117)	(111,520,638)	(120,015,780)
Net carrying amount	62,908,235	8,670,917	36,051,189	107,630,341
	========	========	========	========

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

	Stage 1 12-month ECL	*Stage 2 Lifetime ECL*	*Stage 3 Lifetime ECL*	*Total*
	US$	US$	US$	US$
31 December 2021				
Loss allowance as at 1 January 2021 *Restated	(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 interest income on stage 3 loans	-	-	(12,732,969)	(12,732,969)
Loss allowance as at 31 December 2021	(1,564,325)	(4,144,712)	(125,946,045)	(131,655,081)
	========	========	========	========
31 December 2020				
Loss allowance as at 1 January 2020	(3,497,020)	(8,614,380)	(100,530,150)	(112,641,550)
Amount charged to P&L (sub-total)	(74,005)	(758,565)	(8,942,607)	(9,775,177)
Recoveries on impaired loans	-	4,448,828	-	4,448,828
Repayments & other derecognitions, excluding write-offs	-	-	-	-
Changes in the loss allowance	-	-	-	-
Adjustment for expected credit loss on interest income on stage 3 loans	-	-	(10,713,409)	(10,713,409)
Other Adjustments	-	-	-	-
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	
- Transfer to stage 3	-	-	-	-
- Changes due to modification that did not result in derecognition.	-	-	-	-
- Changes to model and risk parameters used for ECL calculations	-	-	-	-
Write-offs	-	-	7,006,186	7,006,186
Exchange difference	142,733	43,374	1,473,234	1,659,341
At 31 December 2020 Restated	(3,428,292)	(4,880,743)	(111,706,746)	(120,015,781)
	========	========	========	========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	US$	US$	US$	US$
31 December 2021				
Gross loans as at 1 January 2021 Restated				
Disbursements	66,479,260	13,595,034	147,571,827	227,646,121
Interest income accrued	32,908,149	-	938,111	33,846,260
Repayments & other derecognitions, excluding write-offs	5,516,102	1,414,160	16,668,155	23,598,417
Changes in the loss allowance				
- Adjustments	(30,699,834)	(3,459,404)	(4,634,820)	(38,794,058)
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	(2,804,313)	2,804,313	-	-
- Changes due to modification that did not result in		(5,236,331)	5,236,331	-
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)
Gross loans at 31 December 2021	71,307,356	9,045,327	163,894,071	244,246,753
	========	========	========	========
31 December 2020 Restated				
Gross loans as at 1 January 2020				
Disbursements	65,797,090	25,103,978	143,827,206	234,728,274
Interest income accrued	20,658,255	1,404,146	-	22,062,401
Repayments & other derecognitions, excluding write-offs	6,234,098	2,598,260	14,364,045	23,196,403
Changes in the loss allowance	(26,039,263)	(15,378,785)	(2,313,872)	(43,731,920)
Adjustments				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	
- Changes due to modification that did not result in derecognition.	-	-	-	-
- Changes to model and risk parameters used for ECL calculations	-	-	-	-
Write-offs			(7,150,854)	(7,150,854)
Exchange difference	(170,920)	(132,565)	(1,154,698)	(1,458,183)
At 31 December 2020 Restated	66,479,260	13,595,034	147,571,827	227,646,121
	========	========	========	========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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

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

	External credit rating	Internal credit rating	12 month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
			US$	US$	US$	US$
31 December 2021						
Bank balances	A, BBB,		12-month	5,912,851	1,582,230	5,912,851
Short term bank deposits	B+, B-	Performing	ECL	27,260,212	-	25,677,981
Other receivables	A, BBB,		12-month	2,146,621	1,148,130	998,491
Currency Swap	B+, B-	Performing	EC	281,910	-	281,910
				35,601,594	2,730,360	32,871,233
				=========	========	========
31 December 2020 Restated						
Bank balances	A, BBB,		12-month	5,206,525	-	5,206,525
Short term bank deposits	B+, B-	Performing	ECL	43,756,751	(1,556,165)	42,200,586
Other receivables	A, BBB,	Performing	12-month	2,084,994	(977,405)	1,107,589
Currency Swap	B+, B-		ECL	431,607	-	431,607
				51,479,877	(2,533,570)	48,946,307
				=========	========	========

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

	Short term bank deposits	Other Receivables	Total
	US$	US$	US$
31 December 2021			
At 1 January 2021	(1,556,165)	(977,405)	(2,533,570)
Increase 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)
	=========	========	=======
31 December 2020			
At 1 January 2020	(1,539,401)	(997,749)	(2,537,150)
(Increase)/decrease in loss allowance in the year	(16,764)	20,344	3,580
At 31 December 2020	(1,556,165)	(977,405)	(2,533,570)
	=========	======	========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Impact of Covid-19

Determination of whether the credit risk of financial instruments have increased significantly since initial recognition.	Although COVID-19 has had negative impact on the countries where Shelter Afrique has active loans, initially it reflected a liquidity constraint more than an inherent increase in credit risk for the entire loan portfolio held by the company. The company did not thus impose a blanket downgrade on all ECL stages. A more systematic and targeted approach to the impact of COVID-19 on the company's customers was undertaken including communicating with all the customers to advise the impact of the pandemic on their businesses and their ability to honor their loan obligations. Adhering to the company's lending policies and the existing credit underwriting framework which allowed for a well-balanced and consistent decision making that not only considered the impact of Covid-19 but also existing economic trends as well. The company did not view requests for variation of contract terms as the sole indicator that SICR had occurred for performing loans. IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. The company did not rebut this presumption and instead concluded that where the customer and the company agreed to moratorium on payment of principal and interest for a specified period, such an extension will not trigger the counting of days past due as long as the loan was not in arrears at the point of deferral of payment.
SICR assessment of COVID-19 relief exposures	In line with IFRS 9, all exposures are assessed to determine whether there has been a SICR at each monthly reporting period in which case ECL is calculated on a lifetime basis. SICR triggers are based on client behavior, client-based risk rating and other qualitative factors considered judgmental. The triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historical default rates within that portfolio.
Sensitivity staging	When there is a significant increase in credit risk since initial recognition, the exposure is moved from stage 1 to stage 2 and ECL is calculated based on the lifetime expected credit losses. The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional expected credit loss charge to the income statement that the company would need to recognize if 10% of the gross carrying amount of loan advances suffered a SICR and were moved from stage 1 to stage 2 as at 31 December 2021.

Short term bank deposits	*S10% increase in gross carrying amount of exposure*	*Increase in ECL due to 10% increase in SICR*
Portfolio	6,399	90
Total increase in stage 2 advances and ECL	6,399	90

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Impact of Covid-19 (Continued)

	As highlighted above, the company did not apply a blanket downgrade to all ECL stages to loan advances that qualified and received a relief on Covid related impact, rather the company considered individual requests from clients, the impact of Covid and the ability to honor their obligations.
Treatment of loan restructures offered in response to the impacts of COVID-19.	The company considered and granted loan restructures from clients through various mechanisms in response to COVID-19. The mechanisms included: ✓ Restructure of existing loan exposures with no change in the present value of the estimated future cashflows i.e. for facilities restructured but no extension of loan tenor. ✓ Restructure of existing loan exposures with a change in the present value of the estimated future cashflows i.e. for facilities restructured with extension of loan tenor. Prior to loans being restructured due to COVID-19, the customer was assessed against eligibility criteria. The customers had been requested to communicate to the company on the impact of COVID-19 on their businesses/ cashflows, their business continuity plans and their ability to continue servicing their obligations. Customers who were facing cashflow constraints formally requested for temporary reprieves in form of moratorium on interests and principal amounts. The reliefs provided to the customers were deemed to be temporary in nature. All the restructured loans did not have arrears 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 2021 (2020: 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Collateral and other credit enhancements (continued)

Fair value of the collaterals held against loans and advances as of 31 December 2021 is as follows:

	2021	2020
	US$	US$
Lines of credit	49,337,550	11,495,392
Project finance	129,828,184	137,272,244
Staff loans	4,258,101	3,711,251
	183,423,835	152,478,887

Loss allowance

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

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

Write-off policy

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

Modification of financial assets

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

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$ 5,865,990 (2020: USD 26,278,024).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. 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:

	2021	%	2020	%
	US$	US$	US$	US$
Principal loans to customers				
Real estate	92,705,381	61%	96,487,105	63%
Financial institutions	54,284,270	36%	52,292,495	34%
Others (staff loans)	4,753,293	3%	3,879,084	3%
	151,742,944	100%	152,658,684	100%
	=========	======	========	======

Geographical concentration analysis of loans and advances:

	2021	%	2020	%
Eastern Africa	39,156,759	35%	46,976,290	44%
Southern Africa	24,547,558	22%	9,252,556	9%
Francophone West/Central Africa	31,204,750	28%	17,959,152	17%
Anglophone West Africa	17,682,605	16%	33,442,342	31%
	112,591,672	100%	107,630,340	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 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

Currency risk (Continued)

	Euro	CFA	KShs	ZAR	Naira	Total
31 December 2021						
Assets						
Bank and cash balances	381,333	308,099	443,465	19,465	936	1,153,298
Short term deposits	406,740	-	1,833,156	340,987	-	2,580,883
Loans and advances to customers	2,808,231	8,647,284	12,741,372	-	-	24,196,887
Total financial assets	3,596,304	8,955,383	15,017,993	360,452	936	27,931,068
Liabilities						
Medium term notes	-	-	-	-	-	-
Lines of credit	-	-	-	-	-	-
Other payables	-	-	-	-	-	-
	-	-	-	-	-	-
Total financial liabilities	========	========	========	========	========	========
Net asset position	3,596,304	8,955,383	15,017,993	360,452	936	27,931,068
31 December 2020						
Total financial assets	3,981,347	9,868,587	14,491,292	1,161,463	2,422	29,505,111
Total financial liabilities	-	3,384,257	4,100,405	-	-	7,484,662
Net asset position	3,981,347	6,484,330	10,390,887	1,161,463	2,422	22,020,449
	=========	========	========	========	=======	=========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

Currency risk (Continued)

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

Impact on profit or loss

	2021	2020
	US$	US$
Euro (5%)	179,815	199,067
CFA (4%)	358,215	259,373
KShs (4%)	600,720	415,635
ZAR (1%)	3,605	11,615
Naira (1%)	9	24

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 2021 would have increased/ decreased equity by US$ 567,134 (2020: US$ 584,000).

Interest rate risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

Interest rate risk (Continued)

	Up to 12 months	*1-5 years*	*over 5 years*	*Total sensitive balance*	*Non-interest bearing*	*Fixed Interest rate*	*Total*
	US$	US$	US$	US$	US$	US$	US$
31 December 2021							
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)
(c) Market risk (Continued)
Interest rate risk (Continued)

	Up to 12 months	*1-5 years*	*over 5 years*	*Total sensitive balance*	*Non-interest bearing*	*Fixed Interest rate*	*Total*
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
31 December 2021							
Assets							
Bank and cash balances	-	-	-	-	5,206,525	-	5,206,525
Short term deposits	-	-	-	-	-	42,200,586	42,200,586
Loans and advances to customers	48,657,791	49,606,868	5,486,597	103,751,256	-	3,879,084	107,630,340
Total financial assets	48,657,791	49,606,868	5,486,597	103,751,256	5,206,525	46,079,670	155,037,451
Liabilities							
Lines of credit	5,096,088	28,037,731	-	33,133,819	-	-	33,133,819
Medium term notes	-	-	-	-	-	1,579,852	1,579,852
Total financial liabilities	5,096,088	28,037,731	-	33,133,819	-	1,579,852	34,713,671
Net interest rate sensitivity gap	43,561,703	21,569,137	5,486,597	70,617,437	5,206,525	44,499,818	120,323,780

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$ 734,948 (2020 US$ 578,228). A 50-basis point increase or decrease represents management's assessment of the reasonably possible change in variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(d) Liquidity risk

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)
(d) Liquidity risk (Continued)

	Up to 1 month	*2-6 months*	*6-12 months*	*1-5 years*	*over 5 years*	*Total*
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
31 December 2021						
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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

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

	Up to 1 month	*2-6 months*	*6-12 months*	*1-5 years*	*over 5 years*	*Total*
	US$	**US$**	**US$**	**US$**	**US$**	**US$**
31 December 2021						
Financial Assets						
Bank and cash balances	5,206,525	-	-	-	-	
Short term deposits	-	42,541,026	-	-	-	5,206,525
Loans and advances to customers	-	-	431,607	-	-	42,541,026
Derivative financial asset	71,198,230	9,186,978	12,566,337	59,386,491	7,951,960	431,607
						160,289,997
Total financial assets	76,404,755	51,728,004	12,997,944	59,386,491	7,951,960	208,469,154
Financial Liabilities						
Lines of credit	-	-	10,512,558	22,621,261	-	33,133,819
Medium term notes	-	1,579,852	-	-	-	1,579,852
Derivative financial liabilities	-	-	258,247	-	-	258,247
Total financial liabilities	-	1,579,852	10,770,805	22,621,261	-	34,971,918
Net liquidity gap	76,404,755	50,148,152	2,227,139	36,765,230	7,951,960	173,497,236

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

36. FINANCIAL RISK MANAGEMENT (Continued)

(e) Financial instruments categories

	Amortized Cost	*At fair value through profit or loss*	*At fair value through other comprehensive income*	*Total carrying amount*
	US$	**US$**	**US$**	**US$**
31 December 2021:				
Financial assets				
Cash and balances	5,912,851	-	-	5,912,851
Short term bank 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
	==========	========	========	===========
As at 31 December 2020				
***Restated**				
Financial assets				
Cash and balances	5,206,525	-	-	5,206,525
Short term deposits	42,200,586	-	-	42,200,586
Derivative financial assets	-	173,361	-	173,361
Loans and advances to customers	107,630,340	-	-	107,630,340
Equity investments	-	-	5,840,000	5,840,000
Other receivables	1,894,023	-	-	1,894,023
Total financial assets	156,931,474	173,361	5,840,000	162,944,835
	=========	========	========	=========
Financial liabilities				
Other payables	1,551,846	-	-	1,551,846
Medium term notes	1,579,852	-	-	1,579,852
Lines of credit	33,133,819	-	-	33,133,819
Total financial Liabilities	36,265,517	-	-	36,265,517
	=========	========	========	=========

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

37. CORRECTION OF PRIOR PERIOD MATERIAL ERRORS

In 2021, the following errors that impacted prior periods were discovered:

(i) A computational error in interest income where interest income on stage 3 loans and advances to customers had not been computed and recognised in line with the provisions of IFRS 9: Financial instruments for three years ended 31 December 2018, 2019 and 2020. The error resulted in material misstatement of loans and advances to customer, interest income and expected credit losses.

(ii) In the year ended 31 December 2020, a non-performing loan was recovered and consequently, interest income previously suspended was released and recognised into the statement of profit and loss in the year ended 31 December 2021 which was not the appropriate period of recognition. The error resulted in material misstatement of interest income and accumulated deficit.

(iii) A presentation and classification error of loans and advances to staff which had been presented under other assets for the years ended 31 December 2018, 2019 and 2020. The error resulted in material misstatement of loans and advances to customers and other assets.

(iv) A significant portion of the Company's owned head office dubbed "Shelter Afrique Centre" has been leased to tenants to earn the Company rental income. For the years ended 31 December 2018, 2019 and 2020 this portion was no measured and disclosed in line with the requirements of IAS 40: Investment properties. This error resulted in material misstatement of measurement and disclosure of property and equipment, investment properties, revaluation gains/losses.

(v) In the year ended 31 December 2020, the directors approved change purpose of the Company's property comprising land and buildings dubbed "Othaya Road" from managing director's residence to rental complex development. However, the property's measurement and disclosure was not in accordance with the requirements of IAS 40: Investment properties. This error resulted in material misstatement of measurement and disclosure of property and equipment, investment properties, revaluation gains/losses.

(vi) Post employment benefit liability is measured on fair value through other comprehensive income in line with the requirements of IAS 19: Employee benefits. For the year ended 31 December 2020, management observed a presentation error where the the post-employment benefit gains was recognised through profit and loss which resulted in a presentation error in operating expenses and other comprehensive income.

(vii) In the year ended 31 December 2020, the foreign exchange losses on unquoted were accounted for through profit or loss contrary to the requirements of IFRS 9: Financial instruments which require remeasurement of equity intruments to be accounted through other comprehensive income. As a result there was a presentation error in net foreign exchange losses and other comprehensive income.

(viii) IAS 7 requires that interest paid and interest received for a financial institution are classified and disclosed as operating cash flows. The Company's statement of cash flows for the year ended 31 December 2020, did not disclose the interest received by the Company. Consequently, given the materiality, the statement of cash flows has been restated to provide explicit disclosure of interest income and interest received by the Company.

The errors have been corrected by restating each of the affected financial statement line items for the prior periods as follows:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

37. CORRECTION OF PRIOR PERIOD MATERIAL ERRORS (continued)

Statement of financial position extract as of 1 January 2020

	31 December 2019	*Error (i)*	*Error (iii)*	*Error (iv)*	*Net increase/ (decrease)*	*1 January 2020 Restated*
Loans and advances	114,634,813	5,013,350	2,438,561	-	7,451,911	122,086,724
Other Receivables	3,836,796		(2,438,561)	-	(2,438,561)	1,398,235
Property and equipment	4,758,284	-	-	(2,358,996)	(2,358,996)	2,399,288
Investment in Properties	-	-	-	2,358,996	2,358,996	2,358,996
Net Assets	115,420,992	5,013,350	-	-	5,013,350	120,434,342
Accumulated deficit	(28,083,460)	5,013,350	-	656,665	5,670,015	(22,413,445)
Revaluation reserve	2,777,594	-	-	(656,665)	(656,665)	2,120,929
Total equity	115,420,993	5,013,350	-	-	5,013,350	120,434,342

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

37. CORRECTION OF PRIOR PERIOD MATERIAL ERRORS (continued)

Statement of financial position extract as of 31 December 2020

	31 December 2020 as previously stated	Error (i)	Error (ii)	Error (iii)	Error (iv)	Error (v)	Error (vii)	Net increase/ (decrease)	31 December 2020 Restated
	US $	US $	US $	US $	US $	US $		US $	US $
Loans and advances	101,668,959	2,082,297	503,012	3,879,084	-	-	-	6,464,393	108,133,352
Other Receivables	6,573,107	-	-	(3,879,084)	-	(800,000)	-	(4,679,084)	1,894,023
Property and equipment	4,443,772	-	-	-	(984,297)	(2,271,649)	-	(3,255,946)	1,187,826
Investment in Properties	-	-	-	-	984,297	3,071,649	-	4,055,946	4,055,946
Net Assets	133,659,832	2,082,297	503,012	-	-	-	-	2,585,309	136,245,142
Accumulated deficit	(27,096,418)	2,082,297	503,012	-	2,064,576	-	150,823	4,800,708	(22,295,710)
Revaluation reserve	2,566,150	-	-	-	(2,064,576)		-	(2,064,576)	501,574
Investment revaluation reserve	(1,421,925)	-	-	-	-	-	(150,823)	(150,823)	(1,954,748)
Total equity	133,659,832	2,082,297	503,012	-	-	-	-	2,585,309	136,245,141

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

37. CORRECTION OF PRIOR PERIOD MATERIAL ERRORS (continued)

Statement of profit or loss and comprehensive income for the year ended 31 December 2020 (extract)

	As previously stated	*Error (i)*	*Error (ii)*	*Error (iii)*	*Error (iv) & (v)*	*Error (vi)*	*Error (vii)*	*Increase/ (decrease)*	**Restated 2020*
	US $	US $	US $	US $	US $	US $		US $	US $
Interest income	10,459,522	3,650,636	503,012	92,697	-	-		4,246,345	14,705,867
Other income	366,026	-	-	(92,697)	(56,353)	-	-	(149,050)	216,976
Impairment credit (charge) on loans and advances	1,255,341	(6,581,689)	-	-	-	-	-	(6,581,689)	(5,326,348)
Operating expenses	(8,353,553)	-	-	-	-	(334,290)	-	(334,290)	(8,687,843)
Net foreign exchange losses	(675,441)	-	-	-	-	-	150,823	150,823	(524,618)
Profit for the year	1,325,766	(2,931,053)	503,012	-	(56,353)	(334,290)	150,823	(2,667,867)	(1,342,095)
Other comprehensive income	524,518	-	-	-	56,353	334,290	(150,823)	239,820	764,338
Total comprehensive income for the year	1,850,284	(2,931,053)	503,012	-	-	-	-	(2,428,041)	(577,757)
Basic and diluted earnings/ (loss) per share	12.99							(22.31)	(12.56)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

37. CORRECTION OF PRIOR PERIOD MATERIAL ERRORS (continued)

Statement of cash flows for the year ended 31 December 2020 (extract)

	Number of shares	*Ordinary shares*	*Ordinary shares*
	US$	**US$**	**US$**
Profit/(loss) for the year	1,325,788	(2,667,883)	(1,342,095)
Adjustments for:			
Interest income	-	(14,705,867)	(14,705,867)
Interest expense	2,099,008	(296,321)	1,802,687
Changes in fair value on investment in properties	-	56,353	56,353
Exchange difference - Unquoted Equity	150,823	(150,823)	-
Exchange difference - Cash and cash equivalents	-	(61,215)	(61,215)
Working capital changes:			
Loans and advances to customers	12,965,854	7,543,061	20,508,915
Other receivables	(2,736,311)	2,240,523	(495,788)
Other payables	407,419	(268,834)	138,585
Net cash generated (used in) / from operations	14,314,336	(8,311,006)	6,003,330
Interest received	-	9,081,746	9,081,746
Post-employment Benefits paid	-	(31,846)	(31,846)
Net cashflows (used in) /from operating activities	12,025,627	738,894	12,764,521
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	(115,078)	(110)	(115,188)
Investment in Properties	-	(800,000)	(800,000)
Net cash used in investing activities	(1,495,292)	(800,110)	(2,295,402)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in financing activities	(20,096,740)	-	(20,096,740)
DECREASE IN CASH AND CASH EQUIVALENTS	(9,566,405)	(61,216)	(9,627,621)
AT START OF YEAR		-	56,973,516
EFFECT OF EXCHANGE RATE CHANGES	56,973,516	61,216	61,216
AT END OF YEAR	47,407,111	-	47,407,111

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 (Continued)

38. EVENTS AFTER REPORTING PERIOD

(c) Market risk (Continued)

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

Appendix

Appendix 1 - Shareholding information schedule

Class A:	Countries	No of shares 31 December 2020	No of shares 31 December 2021	% of shareholding
1	Algeria	4,220	4,220	3.49%
2	Benin	306	306	0.25%
3	Botswana	839	839	0.69%
4	Burkina Faso	951	951	0.79%
5	Burundi	300	300	0.25%
6	Cameroon	4,135	6,126	5.07%
7	Cape Verde	16	16	0.01%
8	Central Afr. Rep	271	271	0.22%
9	Chad	1090	1,090	0.90%
10	Congo	516	516	0.43%
11	Democratic Republic of Congo	600	2,970	2.46%
12	Djibouti	300	300	0.25%
13	Gabon	1,283	1,283	1.06%
14	Gambia	321	331	0.27%
15	Ghana	6,315	6,315	5.23%
16	Guinea	419	419	0.35%
17	Guinea Bissau	25	25	0.02%
18	Guinea Equatorial	301	301	0.25%
19	Ivory Coast	4,696	5,017	4.15%
20	Kenya	15,829	21,061	17.44%
21	Lesotho	2,142	2,142	1.77%
22	Liberia	591	591	0.49%
23	Madagascar	327	327	0.27%
24	Malawi	522	522	0.43%
25	Mali	5,460	6,623	5.48%
26	Mauritania	639	639	0.53%
27	Mauritius	115	115	0.10%
28	Morocco	3,734	3,734	3.09%
29	Namibia	2,074	2,074	1.72%
30	Niger	318	318	0.26%
31	Nigeria	15,722	15,722	13.02%
32	Rwanda	2,668	3,288	2.72%
33	Sao Tome & Principe	16	16	0.01%
34	Senegal	1,407	1,407	1.16%
35	Seychelles	300	300	0.25%
36	Sierra Leone	74	74	0.06%
37	Somalia	10	10	0.01%

Appendix

Appendix 1 - Shareholding information schedule (Continued)

Class A:	Countries	No of shares 31 December 2020	No of shares 31 December 2021	% of shareholding
38	Swaziland	243	425	0.35%
39	Tanzania	325	2,059	1.70%
40	Togo	1,206	1,533	1.27%
41	Tunisia	300	300	0.25%
42	Uganda	1,877	1,941	1.61%
43	Zambia	2,599	2,599	2.15%
44	Zimbabwe	1,659	1,659	1.37%
		87,061	**101,075**	**83.67%**
Class B: Institutions				
1	African Development Bank	15,200	15,200	12.58%
2	African Reinsurance Corporation	4,520	4,520	3.74%
TOTAL		**106,781**	**120,795**	**100.00%**

www.shelterafrique.org

Tel: +254-20-4978000

Shelter Afrique Centre

5th Floor, Longonot Road

Upper Hill, Nairobi