Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF
5, rue Jean Monnet
L-2180 Luxembourg

R.C.S. Luxembourg : B 150.766

Financial statements
as at 31 December 2012
and Independent auditor's report

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General information

Board of Directors	Mr. Wolfgang Kroh (Chairman) Dr. Marcel Gérard Gounot Mr. Hanns Martin Hagen Mr. Ulf Linders Ms. Alix Pinel Mr. Ruurd Brouwer Mr. Juan Izuzquiza (since 19.07.2012) Mr. Jorge Fabra Portela (until 18.04.2012)
Registered Office	5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Investment Manager and Placing Agent	Symbiotics Asset Management S.A. 75, rue de Lyon CH-1203 Geneva Switzerland
Custodian	Credit Suisse (Luxembourg) S.A. 56, Grand Rue L-1660 Luxembourg Grand-Duchy of Luxembourg
Administrative Agent	Credit Suisse Fund Services (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Independent Auditor	Ernst & Young S.A. 7, rue Gabriel Lippmann Parc d’Activité Syrdall 2 L-5365 Munsbach Grand-Duchy of Luxembourg
Legal Advisers	Linklaters LLP 35, Avenue John F. Kennedy B.P. 1107 L-1011 Luxembourg Grand-Duchy of Luxembourg

Report of the Board of Directors

We are pleased to submit the annual report for the period ended 31 December 2012 and the Independent Auditor's Report for the Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF ("REGMIFA" or the "Fund").

Status

The Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF was established on 1 December 2009 as a *société anonyme*, qualifying as a *société d'investissement à capital variable-fonds d'investissement spécialisé (SICAV-SIF)* under the Luxembourg Law of 13 February 2007 ("SIF-Law"). The Fund was registered with the *Registre de Commerce et des Sociétés*, Luxembourg, section B, under number B-150.766. The articles of incorporation of the Fund ("Articles") were published in *Mémorial C, Recueil des Sociétés et Associations*.

Results

The performance of the Company during the period is disclosed in the Income Statement on page 6.

Dividends and other contributions

As per the 2012 financial exercise, the Fund generated a total distributable income of USD 1,956,077. Based on this income, all target dividends will be paid to the Class A and Class B shareholders and capitalized to the Class C shareholders: USD 449,897 to Class A Shares, USD 276,124 to Class B Shares, and USD 1,003,300 to Class C Shares. Furthermore, the Board resolved to allocate the remaining amount of distributable income as follows: an allocation of USD 88,253 as FX compensation amount to Class C Shares; a USD 49,955 contribution to the Technical Assistance facility; an incentive bonus of USD 17,710 to the Investment Manager; and a USD 70,838 complementary dividend of which USD 10,435 is allocated to Class A Shares, USD 7,716 to Class B Shares and USD 52,687 to Class C Shares.

Directors

The following persons served as Directors of the Fund during the year:
Mr. Wolfgang Kroh (Chairman)
Mr. Ruurd Brouwer
Dr. Marcel Gérard Gounot
Mr. Jorge Fabra Portela
Mr. Hanns Martin Hagen
Mr. Ulf Linders
Ms. Alix Pinel
Mr. Juan Izuzquiza (replacing Mr. Fabra Portela)

During 2012, the Board of Directors has held three meetings and executed several circular resolutions in exercise of its governance duties.

Statement of Directors' responsibilities

The financial statements are the responsibility of the Board of Directors.

We hereby authorize the Fund's financial statements as at 31 December 2012 for issue.

22 May 2013

Board of Directors

Independent auditor's report

To the Shareholders of
Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF
5, rue Jean Monnet
L-2180 Luxembourg

We have audited the accompanying financial statements of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF, which comprise the statement of financial position as at 31 December 2012, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in net assets attributable to holders of redeemable shares and equity for the year ended 31 December 2012, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

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

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF as of 31 December 2012, and of its financial performance and its cash flows for the year ended 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the European Union.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Alain KINSCH

Luxembourg, 22 May 2013

Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF

Income Statement
For the year ended 31 December 2012
(expressed in USD)

ASSETS	31 December 2012	31 December 2011
Gross Loans to Partner Lending Institutions	77,000,913	41,763,830
Impairment allowances	-	-
Loans to Partner Lending Institutions (Note 3)	77,000,913	41,763,830
Derivative financial instruments (net) (Note 4)	301,814	2,723,765
Interest accruals on loans (Note 3)	2,242,429	1,220,227
Other receivables	1,378,244	195,703
Prepaid expenses	24,528	24,151
Cash and cash equivalents	6,979,273	14,866,094
Total Assets	**87,927,201**	**60,793,770**
LIABILITIES		
Notes (Note 5)	13,121,470	3,500,000
Accrued expenses (Note 8.5)	550,867	374,827
Other payables	-	3,700
Subscription received in advance (Note 6)	-	9,999,998
Dividends payable to holders of redeemable shares (Note 10)	744,172	406,488
Contribution to the technical assistance facility (Note 10)	49,955	129,250
Total Liabilities (excluding net assets attributable to holders of redeemable shares)	**14,466,464**	**14,414,263**
Net assets attributable to holders of redeemable shares		
A Shares	22,465,122	18,250,000
B Shares	12,950,000	6,950,000
Total Liabilities	**49,881,586**	**39,614,263**
EQUITY		
Share capital	35,950,000	19,050,000
Retained earnings	2,095,615	2,129,507
Total Equity	**38,045,615**	**21,179,507**
Total Liabilities and Equity	**87,927,201**	**60,793,770**

The accompanying notes are an integral part of these financial statements.

Regional MSME Investment Fund for Sub-Saharan
Africa S.A., SICAV-SIF

Income Statement
For the year ended 31 December 2012
(expressed in USD)

INCOME	2012	2011
Interest income on loans (Note 7.1)	8,643,766	3,248,660
Bank interest	4,725	6,614
Other income	73,697	871,325
Change in unrealized gain on derivative financial instruments (Note 4)	1,805,642	3,026,189
Realized gain on derivative financial instruments	940,950	1,144,739
Realized gain and change in unrealized gain on foreign exchange	804,641	194,142
Total Income	**12,273,421**	**8,491,669**
EXPENSES		
Management fees (Note 8.1)	(1,267,449)	(1,000,000)
Secretary fees (Note 8.3)	(56,282)	(144,428)
Legal and audit fees	(89,256)	(171,813)
Administration, custodian and domiciliation fees (Note 8.4)	(128,078)	(114,750)
Subscription tax	-	(609)
Other administrative expenses	(82,009)	(63,794)
Marketing and promotion expenses	(37,477)	(58,844)
Interest on Notes (Note 7.2)	(138,839)	(21,927)
Debit interest	(1,910)	(976)
Realized loss on derivative financial instruments	(4,409,844)	(2,159,650)
Realized FX loss on loans to Partner Lending Institutions	(940,671)	-
Change in unrealized loss on derivative financial instruments (Note 4)	(4,227,593)	(518,885)
Realized loss and change in unrealized loss on foreign exchange	(116,068)	(1,718,286)
Total Operating Expenses	**(11,495,476)**	**(5,973,962)**
Operating profit before tax	**777,945**	**2,517,707**
Distribution to holders of redeemable ordinary shares	(744,172)	(406,488)
Contribution to the technical assistance facility	(49,955)	(129,250)
Incentive bonus	(17,710)	-
Profit/Loss for the Year	**(33,892)**	**1,981,969**

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income
For the year ended 31 December 2012
(expressed in USD)

	2012	2011
Profit/Loss for the year	**(33,892)**	**1,981,969**
Other comprehensive income for the year, net of tax	---	---
Total comprehensive income for the year, net of tax	**(33,892)**	**1,981,969**

Regional MSME Investment Fund for Sub-Saharan Africa S.A. SICAV-SIF

Statement of Cash Flows
For the year ended 31 December 2012
(expressed in USD)

	2012	2011
Cash flows from operating activities		
Operating profit before tax	777,925	2,517,707
Adjustments for:		
Change in unrealized gain on derivatives financial instruments (net)	2,421,951	(2,507,304)
Operating Profit before working capital changes	3,199,896	10,403
Net (increase) in interest accruals on loans	(1,022,202)	(818,827)
Net (increase) / decrease in other receivable and prepaid expenses	(1,182,918)	496,327
Net increase / (decrease) in accrued expenses and other payable (incl. incentive bonus)	154,630	(232,384)
Dividends payable to Class A and Class B Shareholders	(406,488)	
Amount payable for technical assistance facility	(129,250)	
Cash-flows used in operating activities	**613,668**	**(544,481)**
Cash flows from investing activities		
Net increase in loans to Partner Lending Institutions	(35,237,083)	(25,506,052)
Cash-flows used in investing activities	**(35,237,083)**	**(25,506,052)**
Cash flows provided by financing activities		
Cash received on Notes issued	9,621,470	2,000,000
Cash received on Shares issued	27,115,122	26,000,000
Advance of cash on subscriptions	(9,999,998)	7,999,998
Cash-flows provided by financing activities	**26,736,594**	**35,999,998**
Net increase in cash and cash equivalents	**(7,886,821)**	**9,949,465**
Opening cash and cash equivalents	**14,866,094**	**4,916,629**
Closing cash and cash equivalents	**6,979,273**	**14,866,094**

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares and Equity

For the year ended 31 December 2012
(expressed in USD)

Balance as of 1 January 2011	**18,397,538**
Total comprehensive income	1,981,969
Proceeds from subscriptions	26,000,000
Proceeds from redemptions	-
Balance as of 31 December 2011	**46,379,507**
Balance as of 1 January 2012	**46,379,507**
Total comprehensive income	(33,892)
Proceeds from subscriptions	27,115,122
Proceeds from redemptions	-
Balance as of 31 December 2012	**73,460,737**

Earnings per Share for the years 2012 and 2011

	2012	**2011**
Class of shares		
Class A - Series 1	2,357.25	1,968.90
Class A - Series 2	2,357.25	1,968.90
Class B - Series 1	982.76	869.03
Class B - Series 2	982.76	---
Class C - Series 1	(59.10)	6,521.50
Class C - Series 2	(59.10)	6,521.50
Class C - Series 3	(59.10)	6,521.50
Class C - Series 4	(59.10)	6,521.50

Regional MSME Investment Fund for Sub-Saharan
Africa S.A., SICAV-SIF

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares and Equity
For the year ended 31 December 2012
(expressed in USD)

	Class A		Class B		Class C		Combined
	Net assets attributable to shareholders	**Number of shares**	**Net assets attributable to shareholders**	**Number of shares**	**Net assets attributable to shareholders**	**Number of shares**	**Net assets attributable to shareholders**
At 31 December 2011	**18,250,000**	**182.500**	**6,950,000**	**278.000**	**21,179,507**	**368.754**	**46,379,507**
Issue of redeemable ordinary shares	4,215,122	42.151	6,000,000	240.000	-	-	**10,215,122**
Redemption of redeemable ordinary shares	-	-	-	-	-	-	**-**
Issue of equity	-	-	-	-	16,900,000	297.030	**16,900,000**
Redemption of equity	-	-	-	-		-	**-**
Operating profit before tax	460,331	-	283,841	-	(33,892)	-	**710,280**
Distribution paid to holders of Class A and Class B shares	(460,331)	-	(283,841)	-	-	-	**(744,172)**
At 31 December 2012	**22,465,122**	**224.651**	**12,950,000**	**518.000**	**38,045,615**	**665.784**	**73,460,737**

Regional MSME Investment Fund for Sub-Saharan
Africa S.A., SICAV-SIF

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares and Equity
For the year ended 31 December 2012
(expressed in USD)

	Class A		Class B		Class C		Combined
	Net assets attributable to shareholders	**Number of shares**	**Net assets attributable to shareholders**	**Number of shares**	**Net assets attributable to shareholders**	**Number of shares**	**Net assets attributable to shareholders**
At 31 December 2010	**5,250,000**	**52.50**	**5,950,000**	**238.00**	**7,197,538**	**141.00**	**18,397,538**
Issue of redeemable ordinary shares	13,000,000	130.00	1,000,000	40.00	-	-	**14,000,000**
Redemption of redeemable ordinary shares	-	-	-		-	-	**-**
Issue of equity	-	-	-		12,000,000	227.75	**12,000,000**
Redemption of equity	-	-	-		-	-	**-**
Operating profit before tax	199,503	-	206,985		1,981,969	-	**2,388,457**
Distribution paid to holders of Class A and Class B shares	(199,503)	-	(206,985)		-	-	**(406,488)**
At 31 December 2011	**18,250,000**	**182.50**	**6,950,000**	**278.00**	**21,179,507**	**368.75**	**46,379,507**

Note 1 – Description

1.1. Corporate information

Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF (hereafter referred to as the “Fund”) is a closed-ended investment company with variable capital, incorporated as a public limited company (a “société anonyme”), and organized under the laws of Luxembourg as a *société d’investissement à capital variable – fonds d’investissement spécialisé*. The Fund is registered pursuant the law of 13 February 2007 on specialized investment funds (the “SIF Law”).

The Fund was set up for an unlimited duration on 1 December 2009.

The Articles of Incorporation of the Fund (“Articles”) were published in *Mémorial C, Recueil des Sociétés et Associations*. The Fund is registered with the Luxembourg Company Register under Number B 150.766.

The registered office of the Fund is established in Luxembourg, Grand Duchy of Luxembourg and its address is set at 5, rue Jean Monnet L-2180 Luxembourg.

The mission of the Fund is to build a unique public private partnership between donors, development finance institutions and international finance institutions, private investors and African stakeholders to foster economic development and prosperity in Sub-Saharan Africa through the provision of demand-oriented financing to qualified and, to the extent necessary, technically supported partner lending institutions serving micro, small and medium sized enterprises.

1.2. Investment objectives

The Fund seeks to invest in a balanced portfolio of regulated and/or non-regulated micro finance institutions and/or local commercial banks and/or other financial institutions, established in Sub-Saharan African countries providing funding to MSMEs, (each a Partner Lending Institution - “PLI”).

Note 1 – Description (continued)

1.3. Share capital and Notes

The Fund may issue various classes of Shares (each a "Class"), each evidencing a different level of risk.

- The first loss Class C Shares ("Class C Shares"), which may be issued in successive series, bear all unrealized/realized capital losses of the Fund (e.g. foreign exchange loss, deterioration in credit quality or defaults with respect to the investments of the Fund) until the Net Asset Value ("NAV") of Class C Shares has been fully depleted. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class C Shares in the order of priority as detailed in Note 9. The Class C Shareholders' dividend entitlements rank junior to the dividend entitlements of the Class A and Class B Shareholders as per the waterfall model detailed in Note 9. The NAV of all C Shares must represent at least 33 % of the total assets of the Fund at all times.

- The mezzanine Class B Shares ("Class B Shares"), which may be issued in successive series, bear unrealized/realized capital losses of the Fund only if the NAV of the Class C Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class B Shares in the order of priority as detailed in Note 9. The Class B Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class C Shareholders but junior to the dividend entitlements of the Class A Shareholders as per the waterfall model detailed in Note 9. The sum of the NAVs of the C Shares and the B Shares must represent at least 50 % of the total assets of the Fund at all times.

- The senior Class A Shares ("Class A Shares"), which may be issued in successive series, are insulated against unrealized/realized capital losses of the Fund, bearing such losses only if the NAV of both the Class C Shares and the Class B Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class A Shares in the order of priority as detailed in Note 9. The Class A Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class B and Class C Shareholders as per the waterfall model detailed in Note 9.

The Fund may also from time to time issue notes in the form of subordinated notes ("Subordinated Notes") and senior notes ("Senior Notes") (together the "Notes").

Note 1 – Description (continued)

The Fund may issue Notes in successive Series, each with its own duration and coupon determined at the discretion of the Board of Directors at the time the relevant Series of Notes is being placed:

- The entitlements of holders of Senior Notes to receive interest payments and repayments of principal rank junior to other creditors of the Fund but senior to all Shareholder payment entitlements and senior to all payment entitlements of holders of Subordinated Notes.
- The entitlements of holders of Subordinated Notes to receive interest payments and principal repayments rank junior to other creditors of the Fund and junior to all payment entitlements of holders of Senior Notes but senior to all Shareholder payment entitlements.

Note 2 – Significant accounting policies

2.1. Statement of compliance

The Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF's financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union ("IFRS").

2.2. Basis of preparation

The Financial Statements have been prepared on a historical cost basis, except for loans and advances to PLIs that are measured at amortized cost using the effective interest method and derivative financial instruments that have been measured at fair value.

The Fund's financial year starts on 1 January and ends 31 December of each year.

The preparation of Financial Statements in conformity with International Financial Reporting Standards requires the Board of Directors to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying Notes. The Board of Directors believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates and the differences may be material to the Financial Statements.

Note 2 – Significant accounting policies (continued)

(a) Significant accounting judgments and estimates

In the process of applying the Fund's accounting policies, the Board of Directors has used its judgments and made estimates in determining the amounts recognized in the Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken by observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The determination of the adequate valuation method and of underlying assumptions requires significant estimation.

As at 31 December 2012 and 2011, the Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange or New York Stock Exchange) and exchanges traded derivatives like futures;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Impairment losses on loans

The Fund reviews its problem loans at each reporting date to assess whether an allowance for impairment should be recorded in the Financial Statements. In particular, judgment by the Board of Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Note 2 – Significant accounting policies (continued)

(b) *Changes in accounting policies*

The accounting policies adopted are consistent with those used in the previous financial year, except

IAS 24 *Related Party Transactions (Amendment)*

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Fund.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given prorata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Fund because it does not have this type of instruments.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but has no impact on the financial position or performance of the Fund.

• IFRS 7 *Financial Instruments – Disclosures:* the amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

• IAS 1 Presentation of Financial Statements: the amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the annual accounts.

Note 2 – Significant accounting policies (continued)

(c) Standards issued but not yet effective

At the authorisation date of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Only accounting policies and disclosures applicable or potentially applicable to the Fund are mentioned below.

IAS 1 Financial Statements Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group’s financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 1 Government Loans – Amendments to IFRS 1

These amendments require first-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance,* prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013.

IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will become effective for annual periods beginning on or after 1 January 2013.

Note 2 – Significant accounting policies (continued)

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the financial assets, but will not have an impact on classification and measurements of financial liabilities.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analysis performed, IFRS 10 is not expected to have any impact on the currently held investments of the Fund.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2.3. Summary of significant accounting policies

2.3.1. Foreign currency translation

I. Functional currency translation

Items included in the Financial Statements are measured and presented using the US Dollars (USD).

Note 2 – Significant accounting policies (continued)

The Fund's results and financial position are translated from its functional currency to its presentation currency, as follows:

- assets and liabilities are translated at the closing rate at each statement of financial position date;
- income and expenses are translated at the monthly average exchange rate.

II. Transactions and balances

Foreign currency transactions are translated, in accordance with IAS 21, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than in USD are translated into USD at the exchange rate prevailing at the statement of financial position date. The gain or loss arising from such translation is recorded in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

2.3.2. Loans

I. Classification

The PLI investments are classified into the category Loans and Receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

II. Initial measurement

Loans and Receivables are recognized in the assets of the Fund when cash is advanced to the Partner Lending Institutions. They are initially recorded at cost (the net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs that are directly attributable to the acquisition or issue.

Note 2 – Significant accounting policies (continued)

III. Subsequent measurement

After initial measurement, Loans and Receivables are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition that are not integral part of the effective interest rate.
The Fund assesses at each statement of financial position date whether there is any objective evidence that a loan is impaired. A loan is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred “loss event”) and that loss event has an impact on the estimated future cash flow of the loan that can be reliably estimated.

Evidence of impairment may include indications that the PLI is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the loan’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement as “Credit loss expense”. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the loan. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-down is later recovered, the recovery is credited to the “Credit loss expense”.

In addition to specific allowances against individually significant Loans and Receivables, the Fund also makes collective impairment test on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective impairment test is based on any deterioration in the internal rating of the groups of loans since there were granted or acquired.

IV. Derecognition

The Fund derecognizes a loan when the contractual rights to the cash flows from the loan expire or when it transfers the loan and the transfer qualifies for derecognition in accordance with IAS 39.

Note 2 – Significant accounting policies (continued)

2.3.3. Derivative financial instruments

The Fund may engage, for the proportion of its portfolio which is invested in a currency other than USD, in currency hedging operations with a view to manage exposures to foreign currency risk.

These hedging operations are assimilated as economic hedging. The Fund does not apply hedge accounting and the derivative financial instruments are classified as held for trading.

The derivatives financial instruments are measured at fair value through profit and loss accounts and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Market values are determined by using quoted market prices, valuation techniques and broker quotations.

2.3.4. Notes

Notes are recognized initially at cost including any transaction costs that are directly attributable to their acquisition or issue. Subsequently, they are measured at amortized cost using the effective interest rate method.

2.3.5. Cash and cash equivalent

The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof.

2.3.6. Redeemable shares

The A and B Shares are redeemable at the maturity of the relevant tranches of classes of shares and are classified as financial liabilities. The liabilities arising from these shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS.

The C Shares are classified as equity instruments for the following reasons:

- the shares entitle the holder to a pro rata share of the Fund’s net assets in the event of the Fund’s liquidation;
- the shares are in the class of instruments that is subordinate to all other classes of instruments;
- all shares in the class of instruments that is subordinate to all other classes of instrument have identical features;
- the shares do not include any contractual obligation to deliver cash or another financial asset other than the holder’s rights to a pro rata share of the Fund’s net assets;

Note 2 – Significant accounting policies (continued)

- the total expected cash flows attributable to the shares over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

2.3.7. Interest income and expenses

Interest income on loans and interest expenses are recognised on an accrual basis in line with the contractual terms.

2.3.8. Expenses

Most of these expenses, including management fees, are recognized in the income statement on an accruals basis. The other expenses are directly recorded in the income statement.

2.3.9. Taxation

The Fund is not subject to any tax except to the tax on Luxembourg undertakings for collective investment (“Subscription tax”).

The annual subscription tax (“taxe d’abonnement”) is generally levied at the rate of 0.01% per annum on the Fund’s Net Asset Value calculated on the last valuation day of each quarter and is payable in quarterly installments.

In accordance with the “Règlement grand-ducal” dated 14 July 2010, the Fund is exempted from the subscription tax since 23 May 2011.

Note 3 – Loans portfolio

As at 31 December 2012, the Loans to Partner Lending Institutions have a carrying value amounting to USD 77,000,913 (2011: USD 41,763,830) and a fair value amounting to USD 76,270,498 (2011: USD 40,905,647).

The fair value of loans is calculated by using valuation techniques based on non-observable data in emerging markets and corresponds to level 3 of IFRS 7 fair value hierarchy. The estimated fair value of loans is based on a discounted cash flow model in line with those used by the Fund’s hedge counterparties taking into account the evolution of 1) foreign exchange rates, 2) local yield curves (i.e. T-bills and T-bonds) since the disbursement date of loans, as well as 3) any impairment allowances accounted for by the Fund as of 31 December 2012. The fair value of the portfolio represents a clean price as accrued interests are not factored in.

The following describes the methodologies and assumptions used to determine the fair value of loans:

-

Note 3 – Loans portfolio (continued)

- Cash flows: expected principal and interest payments are initially set assuming that every payment would occur in the time and form stipulated by the individual loan agreement. In case of impairment allowances, the timing and amount of cash flows are adjusted in accordance with the impairment assessment performed by the Investment Manager.
- Discount rates: discount rates used for discounting expected cash flows reflect the yield curve (risk free rates) prevalent in each country as of December 31, 2012. Spreads above risk free rates are defined at the onset of each loan;
- Exchange rates: The present value of loans denominated in currencies other than USD is then converted into USD at the FX spot rate prevailing as of December 31, 2012.

During the year ended 31 December 2012, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2012, the accrued interest to be received on loans to Partner Lending Institutions amounts to USD 2,242,429 (2011: USD 1,220,227).

Note 4 – Derivative financial instruments

As part of its asset and liability management, the Fund uses cross currency swaps for the proportion of its loan portfolio which is invested in currencies other than USD in order to simultaneously reduce its exposure to interest rate risk and foreign exchange risk.

As per 31 December 2012, the Fund holds 67 (2011: 37) cross currency swaps and 1 interest rate swap (2011: nil) with notional amount of USD 100,777,763 (2011: USD 42,371,488), which have a positive fair value of USD 301,814 as at 31 December 2012 (2011: USD 2,723,765). The nominal value of the derivative financial instruments is higher than the nominal value of the loan portfolio to Partner Lending Institutions as most loans denominated in XOF/XAF are first hedged from XOF/XAF to EUR and then from EUR to USD.

The fair values of cross currency swaps are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles and so involved valuation techniques where all the model inputs are observable (either directly or indirectly) in the market. It corresponds to level 2 of the IFRS 7 fair value hierarchy.

During the year ended 31 December 2012 and 2011, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

Note 5 – Notes

As at 31 December 2012, the outstanding Notes issued by the Fund amount to USD 13,121,470 (2011: USD 3,500,000) and are fully drawn.

The floating rate Notes are valued at their nominal amounts as of 31 December 2012 and 2011, the risk profile of the Fund having not significantly changed since the issuance of the Notes.

Note 6 – Subscription received in advance

As at 31 December 2012 there was no subscription received in advance (2011: USD 9,999,998).

Note 7 – Interest income and expense

7.1. Interest income on loans

For the year ended 31 December 2012, the interest income is composed by interest on loans and advances and upfront fees amounting to respectively USD 8,170,009 (2011: USD 3,016,410) and USD 473,757 (2011: USD 232,250).

7.2. Interest expenses on Notes

For the year ended 31 December 2012, the interest on Notes expensed by the Fund amounts to USD 138,839 (2011: USD 21,927).

Note 8 – Expenses

8.1. Fund management fee

In consideration for its services to be provided to the Fund, the Investment Manager is entitled to a management fee payable by the Fund which shall be the aggregate of:

(i) a percentage of the outstanding capital invested by the Fund (“Invested Capital”) in PLI Investments as at the end of any calendar month determined as follows:

(a) 2 % per annum for the first USD 50 million of Invested Capital invested in PLI Investments at the end of such calendar month; plus
(b) 1.75 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 50 million up to the amount of USD 100 million; plus
(c) 1.50 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 100 million up to the amount of USD 200 million; plus
(d) 1.25 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 200 million; and

(ii) 0.2 % per annum of the amount of Invested Capital invested in Investments other than PLI Investments at the end of such calendar month.

For the first two years following the initial closing of the Fund, a minimal amount of USD 1,000,000 of management is applied. For the first exercise upon Fund’s inception, the floor amount has been apportioned from the date of the initial closing to 31 December 2010.

Note 8 – Expenses (continued)

For the year ended 31 December 2012, the Fund management fee amounts to USD 1,267,449 (2011: USD 1,000,000).

8.2. Investment manager incentive bonus

Depending on the performance of the Fund and the attainment of certain performance targets by each Class of Shares determined by the Board of Directors, the Investment Manager might be entitled to additional performance based remuneration (“Investment Manager Incentive Bonus”), calculated as a percentage of the year-to-date amount remaining available for allocation of the Income Waterfall, as defined in Note 9.

For the year ended 31 December 2012, an Investment Manager Incentive Bonus of USD 17,710 has been accrued (2011: USD 0).

8.3. Secretary fees

The secretary fees are paid on a monthly basis upon receipt of the invoice.
For the year ended 31 December 2012, the secretary fees amount to USD 56,282 (2011: USD 144,428).

8.4. Administration, custodian and domiciliation fees

The Fund pays an administration fee to Credit Suisse Fund Services (Luxembourg) S.A., which is based on the total net assets including the aggregate issue amount of the Notes issued by the Fund in accordance with the following scale, payable quarterly:

- 0.10% per annum on the first amount of USD 100 million,
- 0.08% per annum on the next amount of USD 100 million,
- 0.04% per annum on the amount above USD 200 million.

A minimal amount of USD 60,000 of administration fee is applied per annum.

For the year ended 31 December 2012, the administration fee amounts to USD 71,843 (2011: USD 60,000).

The Fund pays a custodian fee to Credit Suisse (Luxembourg S.A., which is based on the total net assets including the aggregate issue amount of the Notes issued by the Fund in accordance with the following scale, payable quarterly:

- 0.03% per annum on the first amount of USD 100 million,
- 0.02% per annum on the next amount above USD 100 million.

A minimal amount of USD 20,000 of custodian fee is applied per annum.

Note 8 – Expenses (continued)

For the year ended 31 December 2012, the custodian fee amount to USD 26,235 (2011: USD 22,500).

The Fund pays an annual lump sum domiciliation fee to Credit Suisse Fund Services (Luxembourg) S.A. For the year ended 31 December 2012, the domiciliation fee amounts to USD 15,000 (2011: USD 17,250).

As at 31 December 2012, the registrar and the compliance monitoring fees amount to USD 15,000 (2011: USD 15,000).

8.5. Accrued expenses

As at 31 December 2012, the accrued expenses relate to management fees and direct operating expenses and amount to USD 550,867 (2011: USD 374,827).

Note 9 – Allocation and distribution waterfalls

At each date on which a NAV calculation is made (“NAV Calculation Date”), the year-to-date cumulative net income (“Net Income”) of the Fund for the relevant calendar year is determined. The Net Income equals the sum of (i) the Fund’s cumulative year-to-date income (received and/or accrued) in the relevant calendar year less the year-to-date cumulative Fund Expenses (including, but not limited to, operating expenses and Management Fees) for the calendar year, plus (ii) any year-to-date interest payments on the Notes for the calendar year. For the purposes of this computation: (i) all realised and unrealised (ie accrued) interest payments to the Fund are included in the Fund’s Net Income (if any interest payments are not received by the Fund or if previously accrued interest payments are not paid to the Fund, such amounts come in deduction of the Fund’s Net Income) and (ii) the portion of the value of any related derivative financial instrument which is linked to the accrued interest on any loan is allocated to the Net Income of the Fund.

At each NAV Calculation Date, the year-to-date positive Net Income of the Fund is allocated according to the Fund waterfall mechanism as set forth in the Issue Document, which is designed to compensate investors based on their respective investment risk and provide the necessary funding for the Fund’s ongoing operations. The amount of dividend distributable to Classes A, B and C Shares at each NAV Calculation Date is limited to a level of target dividend whose determination is defined in the relevant subscription agreements. Operational aspects of the Fund compensated through the waterfall structure include i) the Foreign Exchange Currency (“FX”) reserve payment, which is allocated annually to the Class C Shares to protect against an erosion of value due to FX losses; ii) a component of the overall funding for a technical assistance facility (“TA Facility”) established in parallel with the Fund to provide technical assistance to PLIs in their development and growth as well as to prepare and to support PLI Investments; and iii) the Investment Manager Incentive Bonus, as described in Note 8.2, included to align the interests of the Investment Manager with those of the Fund‘s investors.

Note 9 – Allocation and distribution waterfalls (continued)

All amounts exceeding target dividends and contributions to operational aspects are used to pay out complementary dividends to shareholders in accordance with the terms and conditions stated in the Fund's Issue Document.

At each NAV Calculation Date, in case the year-to-date Net Income of the Fund is negative, it will be allocated in the following order of priority:

- Class C Shares up to the total NAV of the Class C Shares, pro rata to the NAV of each Series of Class C Shares,
- Class B Shares up to the total NAV of the Class B Shares, pro rata to the NAV of each Series of Class B Shares,
- Class A Shares up to the total NAV of the Class A Shares, pro rata to the NAV of each Series of Class A Shares.

In addition, at each NAV Calculation Date, once the allocation of Net Income has been made, the Capital Waterfall of the period is determined as follows:

- any year-to-date write backs on unrealized Investments, plus
- any impairment allowances due to the deterioration in credit quality or defaults with respect to the Investments of the Fund, plus
- any realized and unrealized gains and losses on local currency loans to PLIs due to changes in the value of the local currency, plus
- any other year-to-date realized or unrealized capital gains and losses on foreign exchange (other than on local currency loans to PLIs), plus
- the foreign exchange compensation amount ("FX Compensation Amount"), which protects the C Share class against expected FX depreciation on unhedged investments, plus
- realized and unrealized gains or losses from the value of derivative financial instruments held by the Fund. This is calculated as the portion of the value of derivative financial instruments held by the Fund other than the portion of the value of the related derivative financial instruments which is linked to the accrued interest on the loans (this accounting rule has been defined after Fund inception, which explains why no reference to it is made in the Fund's Issue Document).

The Capital Waterfall is allocated in the following order of priority:

- first to Class A Shares showing a positive difference between the issue price and their NAV (the "NAV Deficiency") at period ends,
- then to Class B Shares showing a NAV Deficiency at period ends,
- to Class C Shares pro rata to their NAV at period ends.

Note 10 – Calculation of distributable income and capital gains and losses

At each NAV Calculation Date, the Fund calculates the year-to-date cumulative Net Income ("Operating profit before tax" in Income Statement) for the relevant calendar year. The year-to-date cumulative Net Income is then allocated via the Income Waterfall and the Capital Waterfall to each Class of Shares in the order of priority described in the Note 9.

Allocation of Distributable Income (income waterfall)

	2012	**2011**
Interest income on loans	8,643,766	3,248,660
Bank interest	4,725	6,614
Other income	73,697	871,325
Realized losses on derivative financial instruments (interest portion)	(4,380,063)	(1,014,911)
Management fees	(1,267,449)	(1,000,000)
Secretary fees	(56,282)	(144,428)
Legal and audit fees	(89,256)	(171,813)
Administration, custodian and domiciliation fees	(128,078)	(114,750)
Subscription tax	-	(609)
Other administrative expenses	(82,009)	(63,794)
Marketing and promotion expenses	(37,477)	(58,844)
Interest on Notes	(138,839)	(21,927)
Debit interest	(1,910)	(976)
Change in unrealized loss on derivative financial instruments (interest portion)	(584,748)	(521,717)
Total (in USD)	**1,956,077**	**1,012,830**

For the year ended 31 December 2012:
The distributable income amounting to USD 1,956,077 is allocated as follows:

- Target dividend on A-shares: USD 449,897
- Target dividend on B-shares: USD 276,124
- FX compensation amount: USD 88,253
- Target dividend on C-shares: USD 1,003,300
- Contribution to the TA Facility: USD 49,955
- Investment manager incentive bonus: USD 17,710
- Complementary dividends on A-shares, B-shares and C-shares: USD 70,838

Note 10 – Calculation of distributable income and capital gains and losses (continued)

As a result of this allocation, a total amount of dividends (including target and complementary dividends) of USD 460,331 is distributed to the Class A Shares, USD 283,841 to the Class B Shares, and USD 1,055,987 capitalized to the Class C Shares. The FX Compensation Amount is also allocated to the Class C Shares, resulting in a total amount of USD 1,144,240 of the Fund's total distributable income capitalized to the Class C Shareholders.

For the year ended 31 December 2011:
The distributable income amounting to USD 1,012,830 includes an amount of USD 406,488 distributed to the Classes A and B Shareholders and an amount of USD 477,092 of distributable income capitalized to the Class C Shareholders. The remaining amounting to USD 129,250 is allocated to the technical assistance facility.

Allocation to Class C Shares (capital waterfall)

	2012	**2011**
Realized and change in unrealized loss on foreign exchange (only portion related to PLIs)	(296,216)	(1,474,227)
Realized and change in unrealized loss on foreign exchange (other than portion related to PLIs)	44,117	(49,917)
Realized and change in unrealized gain/(loss) on derivative financial instruments (notional portion)	(926,033)	3,029,021
	(1,178,132)	**1,504,877**

For the year ended 31 December 2012:
In compliance with the Fund's Issue Document, the amount of USD (1,178,132) is allocated to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.
Consequently, considering total dividends allocated to Class C Shares for the year ended 31 December 2012 as well as the FX compensation amount, a total amount of USD (33,892) has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

For the year ended 31 December 2011:
In compliance with the Fund's Issue Document and because the Classes A and B Shares do not suffer from NAV Deficiencies at year end, the amount of USD 1,504,877 was allocated to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.
Consequently, the net amount of USD 1,981,969 has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

Note 11 – Risk management

The Fund is mainly exposed to credit risk, market risk (which includes mainly currency risk and interest rate risk) and liquidity risk arising from the financial instruments its holds.

11.1. Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund.

The insolvency or other business failure of any one or more of the Partner Lending Institutions in which the Fund has invested could have a material and adverse effect on the Fund's performance and ability to achieve its objectives.

The Fund also runs the risk of any one or more of the Partner Lending Institutions defaulting on their borrowings from the Fund. Such Partner Lending Institutions may default on their interest and/or on their principal repayment. The Fund mitigates this risk by carefully selecting the Partner Lending Institutions and then by closely monitoring them on a quarterly basis.

Prior to submitting a PLI Investment to the Fund's Investment Committee, the Investment Manager, through its Sub Saharan Africa-based team, performs a detailed country analysis, a PLI credit risk assessment, a PLI social responsibility evaluation, a PLI monthly monitoring report and an Anti-Money Laundering assessment. The outcomes of all above checks are reported in a detailed report presented to the Investment Committee.

In addition in order to be selected as suitable PLIs financial institutions should meet a number of criteria at the time investment by the Fund (in each case as reasonably determined by the Investment Committee upon recommendation by the Investment Manager). Such criteria relate to a wide array of PLI dimensions, but not limited to the legal, operational, social, governance, and environmental aspects.

On the monitoring side, the Investment Manager reviews on a monthly basis the credit quality and financial reporting of each PLI based on the monthly financial data that is reported by the PLI directly in the Investment Manager's information system at the end of each month. In addition, the Investment Analysis team of the Investment Manager performs an in-depth and on-site review of each PLI on an annual basis (or more frequently in case of material change). Each analyst remains in constant interaction with the PLI through its monthly processes and signals any material change to the Investment Services team which could affect any given transaction with such PLI, similarly at the country level. Portfolio valuation and covenant monitoring is performed on an ongoing basis. This close monitoring of the financial performance of investees enables the team to detect as early as possible any negative trend that would negatively impact the PLI's ability to reimburse a loan or enter into a breach of covenants. In addition, the Investment Manager performs the legal risk management process, reviewing each loan covenant of each given transaction on a monthly basis.

Note 11 – Risk management (continued)

For all outstanding investments in the loan portfolio, the Investment Manager performs the following:

- Legal and financial covenants monitoring: The Investment Services team reviews all legal covenants and obligations related to each transaction for material events on a monthly basis, validating their compliance and reporting to the client. Any material event triggers a risk management process for the underlying obligation which involves challenging and questioning by the Investment Analysis team over and beyond the monthly and annual monitoring.

- Quarterly Investment valuation: Pursuant to the legal covenant review and risk management process, the Investment Services team proposes quarterly valuation guidance for each transaction to the Investment Manager based on predefined rules and criteria.

- Payment collection: On each payment date, the Investment Services team sends out reminders and confirmation receipts to the PLI and custodian bank. The team supervises and assists throughout the payment collection process.

11.1.1. Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk of the Fund as of 31 December 2012. The maximum exposure is shown gross, before the effect of mitigation through the use of collaterals.

	As of 31 December 2012 in USD	**As of 31 December 2011 in USD**
Statement of financial position		
Loans to Partner Lending Institutions	77,000,913	41,763,830
Interest accruals on loans	2,242,429	1,220,227
Derivative financial instruments	301,814	2,723,765
Cash at bank	6,979,273	14,866,094
Other receivables	1,378,244	195,703
Total	**87,902,673**	**60,769,619**
Off balance sheet		
Committed undisbursed amounts on loans to Partner Lending Institutions	-	-
Total	**-**	**-**
Total gross maximum exposure	**87,902,673**	**60,769,619**

Note 11 – Risk management (continued)

11.1.2. Risk concentrations of loan portfolio to credit risk

In the context of the credit risk analysis, the concentration risk analysis of the Fund's gross loans portfolios by PLI as of 31 December 2012 and 2011 is as follows:

31 December 2012	Amounts in USD	%
Top 1	7,764,153	10.08
Top 3	20,470,836	26.59
Top 5	31,477,456	40.88
Top 10	49,023,227	63.67
Top 20	71,249,847	92.53
Top 27	77,000,913	100.00
Total	**77,000,913**	**100.00**

31 December 2011	Amounts in USD	%
Top 1	4,752,836	11.38
Top 3	13,573,143	32.50
Top 5	20,424,101	48.90
Top 10	30,869,504	73.91
Top 20	41,763,830	100.00
Total	**41,763,830**	**100.00**

Risk concentrations by geographical regions

The table below shows the credit risk analysis of the Fund's gross loans portfolio per geographical regions as of 31 December 2012 and 2011:

	2012		2011	
	Amounts in USD	**%**	**Amounts in USD**	**%**
Benin	3,724,480	4.84	3,667,274	8.78
Cameroun	4,626,298	6.01	2,249,426	5.39
Ghana	8,051,933	10.46	2,789,859	6.68
Ivory Cost	1,318,400	1.71	-	-
Kenya	9,987,484	12.97	6,650,147	15.92
Mozambique	1,876,091	2.44	1,008,780	2.42
Nigeria	13,850,398	17.98	9,757,535	23.36
Senegal	16,002,682	20.77	6,020,764	14.42
Tanzania	7,445,484	9.67	1,406,937	3.37
Togo	659,200	0.86	649,075	1.55
Uganda	7,543,958	9.80	6,635,285	15.89
Zambia	1,914,505	2.49	928,749	2.22
Total	**77,000,913**	**100.00**	**41,763,830**	**100.00**

Note 11 – Risk management (continued)

11.1.3. Credit Quality

11.1.3.1. Credit risk exposure for each internal risk rating

The institutional risk of Partner Lending Institutions is closely monitored by the Investment Manager's professional, independent central and local risk experts using internal credit ratings. The current methodology takes into account quantitative and qualitative factors, the degree of maturity of the PLI, as well as monthly monitoring and annual visits.

The methodology is based both on a credit risk and performance assessment. The performance assessment reviews three years of past audited and operational quantitative information, divided into three analytical dimensions: operational efficiency, financial results, and social impact, and about thirty indicators. The credit risk assessment is focused on future outlook; there are five key dimensions, divided into about twenty five qualitative indicators: strategy and governance, people and organization, products and services, financial management, and control and systems. The outcome of the scoring methodology is a credit risk scoring and rating grade that reflects the specific risk of an institution. It does not include any systematic risk aspects (i.e. industry, currency, political risk among others). The rating scale grades from AAA to D, subdivided into 10 levels, each divided into three subsets of plus (+), neutral and minus (-).

The Fund rating's categories are as follows:

Scaling	Qualifier	Rating Grade
97% - 100%	Extremely strong repayment capacity	AAA
88% - 97%	Very strong repayment capacity	AA
79% - 88%	Strong repayment capacity	A
70% - 79%	Moderate repayment capacity	BBB
61% - 70%	Questionable repayment capacity	BB
52% - 61%	Weakened repayment capacity	B
43% - 52%	Vulnerable to nonpayment	CCC
37% - 43%	High vulnerable to nonpayment	CC
31% - 37%	Very high vulnerable to nonpayment	C
0% - 31%	Payment default	D

Note 11 – Risk management (continued)

The table below is a credit rating analysis of the Fund's loan portfolio as of 31 December 2012 and 2011 based on the Fund's credit rating system:

	2012		**2011**	
	Amounts in USD	**%**	**Amounts in USD**	**%**
AAA	-	0.00	-	0.00
AA	-	0.00	-	0.00
A	-	0.00	-	0.00
BBB	63,580,632	82.57	31,730,871	75.98
BB	13,420,281	17.43	10,032,959	24.02
B	-	0.00	-	0.00
CCC	-	0.00	-	0.00
CC	-	0.00	-	0.00
C	-	0.00	-	0.00
D	-	0.00	-	0.00
Total	**77,000,913**	**100.00**	**41,763,830**	**100.00**

11.1.3.2. Impairment assessment

The Investment Manager monitors on a monthly basis whether each investee of the Fund is in compliance with all financial and non-financial covenants per the respective loan contract.
In case of a breach of financial covenant with no perspective of resolution through improvement of the situation over the next quarter, the Investment manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation. In case of payment default (as defined in each loan agreement), the Investment manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation if the carrying amount of the relevant loan exceeds its recoverable amount.

As at 31 December 2012 and 2011, there were no impaired loans.

11.2. Liquidity risk

The Fund may invest in loans or other debt instruments issued by PLIs most of which will neither be listed on a stock exchange nor dealt in on another regulated market. The issuance of such instruments may not be subject to any control, review or oversight by a regulatory authority. In most cases there is no secondary market for the trading of the debt instruments issued by PLIs. Thus, such instruments will generally be illiquid. Such illiquidity may affect the Fund's ability to vary its portfolio or dispose or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic or other conditions and this could have an adverse effect on the Fund's financial condition and results of operations.

Note 11 – Risk management (continued)

In order to manage the liquidity of the Fund and address the above risks, the following rules are applied:

- Excess cash liquidity is temporarily deposited with international investment grade banks or invested in money-market instruments.
- The Investment Manager shall strive to maintain cash on hand that represents the greater of 5% of the Fund Total Assets or a 120% of the Fund's projected 30-day liabilities. As soon as liquidity falls below this percentage, the Investment Manager shall notify the Board and Investment Committee immediately.
- In addition, the Fund may at any time draw down from existing commitments on A and B Shares or Notes and on a quarterly basis on C Shares. The existing undrawn commitments from both Noteholders and Shareholders to the Fund exceed USD 91 million as at 31 December 2012 (2011: USD 122 million).

The following table demonstrates the forecasted cash flows of the Fund per maturity band:

As at 31 December 2012 in USD	**Less than 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Undefined Maturity**	**Total**
Loans to Partner Lending Institutions*	**3,906,440**	**32,164,976**	**58,522,499**	**-**	**-**	**94,593,915**
Cash	**6,979,273**	**-**	**-**	**-**	**-**	**6,979,273**
Other receivables	**1,378,244**	**-**	**-**	**-**	**-**	**1,378,244**
Total Assets	**12,028,132**	**32,164,976**	**58,522,499**	**-**	**-**	**102,951,432**
Notes *	**-**	**203,547**	**5,981,579**	**8,065,945**	**-**	**14,251,071**
Derivative financial instruments	**1,314,776**	**4,895,183**	**4,785,667**	**-**		**10,995,626**
Accrued expenses	**550,867**	**-**	**-**	**-**	**-**	**550,867**
Subscription received in advance	**-**	**-**	**-**	**-**	**-**	**-**
Total Liabilities	**1,865,643**	**5,098,730**	**10,767,246**	**8,065,945**	**-**	**25,797,564**
Classes A and B Shares	**-**	**-**	**35,415,122**	**-**	**-**	**35,415,122**
Class C Shares	**-**	**-**	**-**	**-**	**38,045,615**	**38,045,615**

*Including interest payment

Note 11 – Risk management (continued)

As at 31 December 2011 in USD	**Less than 3 months**	**3 months to 1 year**	**1 year to 5 years**	**More than 5 years**	**Undefined Maturity**	**Total**
Loans to Partner Lending Institutions *	**546,189**	**17,121,455**	**30,554,308**	**-**	**-**	**48,221,952**
Cash	**14,866,094**	**-**	**-**	**-**	**-**	**14,866,094**
Other receivables	**195,703**	**-**	**-**	**-**	**-**	**195,703**
Total Assets	**15,607,486**	**17,121,455**	**30,554,308**	**-**	**-**	**63,283,749**
Notes *	**-**	**64,454**	**1,705,712**	**2,149,893**	**-**	**3,920,059**
Derivative financial instruments	**298,327**	**598,462**	**303,725**	**-**	**-**	**1,200,514**
Accrued expenses	**374,827**	**-**	**-**	**-**	**-**	**374,827**
Subscription received in advance	**9,999,998**	**-**	**-**	**-**	**-**	**9,999,998**
Total Liabilities	**10,673,152**	**662,915**	**2,009,437**	**2,149,893**	**-**	**15,495,398**
Classes A and B Shares	**-**	**-**	**25,200,000**	**-**	**-**	**25,200,000**
Class C Shares	**-**	**-**	**-**	**-**	**21,179,507**	**21,179,507**

*Including interest payment

11.3. Market risk

11.3.1. Interest rate risk

The Fund may be exposed to interest rate risks to the extent the rate basis for its assets and liabilities do not fully match. The Fund seeks to reduce this risk and to match the rate basis on its assets and liabilities. As of 31 December 2012, 95% (2011: 100%) of PLI loans in currencies not denominated in USD are hedged for both currency and interest rate risk, effectively yielding floating interest rates with USD 6-month Libor as the rate basis.

Similarly, investor returns for Notes and redeemable shares are based on floating interest rates with USD 6-month Libor as the rate basis, with the exception of the Class C Shares. Due to the structure of the Fund and the unlimited maturity of Class C Shares, perfect matches are not achievable by the Fund.

Investors must also be aware that changes in interest rates will affect the relative value of the Fund's Investments. In general, if interest rates increase, it is expected that the relative value of the Fund's existing Investments will decrease, and conversely, if interest rates decrease, it is expected that such relative value will increase.

The level of prevailing interest rates also may affect the economy of the target countries and any applicable markets outside of the target countries, and, in turn, the value of the Fund's Investments.

Interest rate risk finally arises from the possibility that changes in interest rates will affect future cash flows of financial instruments as well as the Fund’s profitability.

Note 11 – Risk management (continued)

The following table illustrates the sensitivity of the Fund's Net Income before tax (as per the income waterfall) to various upward parallel shifts in the US yield curve for a time period of 180 days (base-case scenario = risk free rates do not fluctuate). It is also worth noting that downward shifts in the US yield curve would produce the same results, but in the opposite direction (negative impacts).

2012			2011	
Increase (in basis points)	Effect on profit before tax (in USD)	Effect on profit before tax (in %)	Increase in basis points	Effect on profit before tax (in USD)
10	15,156	1.5%	8,701	1.8%
50	75,778	7.4%	43,507	8.9%
100	151,556	14.9%	87,015	17.7%

11.3.2. Currency risk

Currency risk is the risk that the value of financial instruments fluctuates due to changes in foreign exchange rates. As at 31 December 2012 and 2011, all the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund (2011: 100%) and 5% of its PLI loans are exposed to currency risk (2011: 0%).

As at 31 December 2012, the Fund's total open currency exposure amounts to USD 3,786,401, representing 5% of the PLI loans portfolio. It is composed of three currencies: the Ghanaian Cedi (USD 1,009,921 equivalent), the Kenyan Shilling (USD 700,000 equivalent), and the CFA Franc/ XOF (USD 2,076,480 equivalent). Currency risk exposure in CFA Franc is only from XOF to EUR as loans remain fully hedged between EUR to USD (i.e., de-pegging risk only).

11.3.3. Operational risk

Operational risk is the risk of loss arising from systems failures, human errors, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Fund is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Note 12 – Capital Management

The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase and resale of shares.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other advanced capital markets and by using various investment strategies and hedging techniques.
- To maintain sufficient liquidity to meet the expenses of the Fund and fulfill all financial obligations.
- To maintain sufficient size to make the operation of the Fund cost efficient.

Note 13 – Approval of the Financial Statements

The Board of Directors reviewed the Financial Statements as of 22 May 2013 and decided to submit them to the Annual General Meeting of Shareholders for approval to be held on 31 May 2013.