PHARMACCESSGROUP

Stichting Medical Credit Fund

Annual Report 2018

29 April 2019 | Amsterdam

Medical Credit Fund
AHTC, Tower C4
Paasheuvelweg 25
1105 BP Amsterdam
the Netherlands
+31 (0) 20 - 210 3920
www.medicalcreditfund.org
contact@medicalcreditfund.org

Stichting Medical Credit Fund Annual Report 2018

Amsterdam, 29 April 2019

Medical Credit Fund in 2018

LOANS

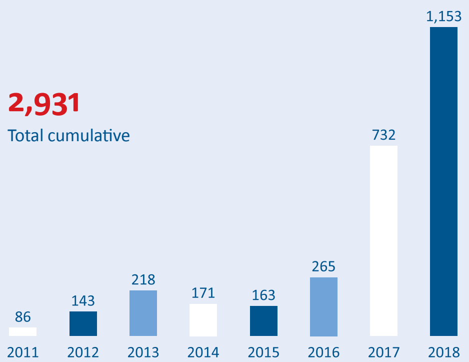
97%
Historical loan repayment performance

USD 17,543
Average loan size

USD 21,614,485
Total portfolio outstanding

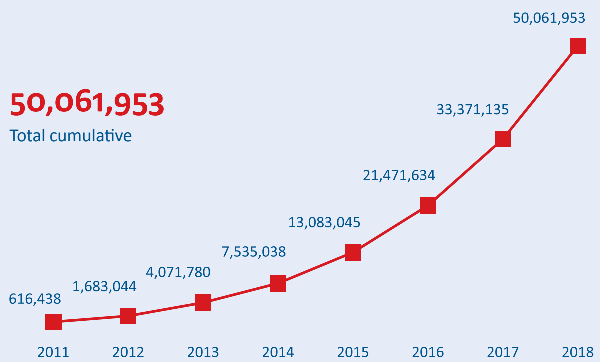
NUMBER OF LOANS DISBURSED PER YEAR

2,931
Total cumulative

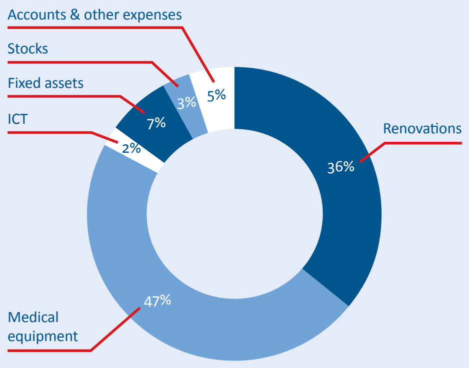


DISBURSED AMOUNT (USD)

50,061,953
Total cumulative



TYPE OF INVESTMENTS FINANCED THROUGH LOANS



NUMBER OF HEALTH CARE FACILITIES RECEIVING A LOAN

1,446
Total healthcare facilities reached

RISK SHARING

AT THE END OF 2018

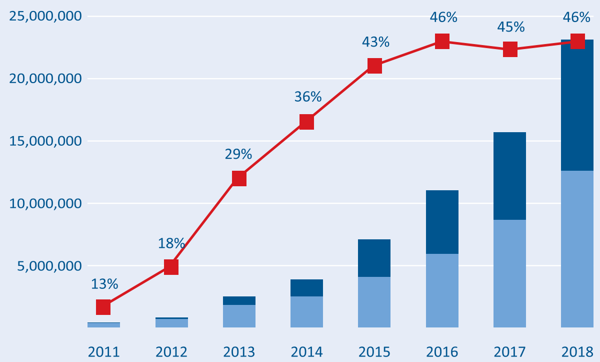
19
Bank partners

11,754,671
Risk portion Medical Credit Fund (USD)

9,859,814
Risk portion banks (USD)

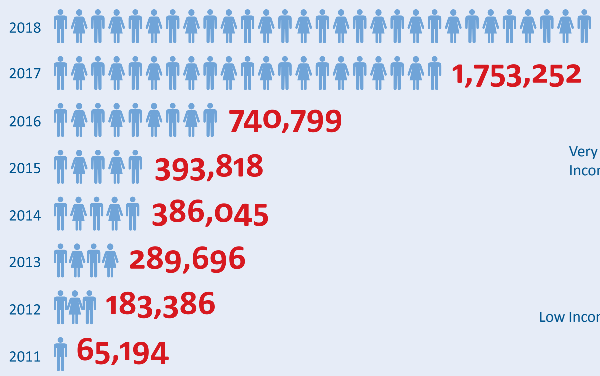
46%
Risk sharing by banks (%)

RISK SHARING BETWEEN MEDICAL CREDIT FUND AND BANKS (USD)

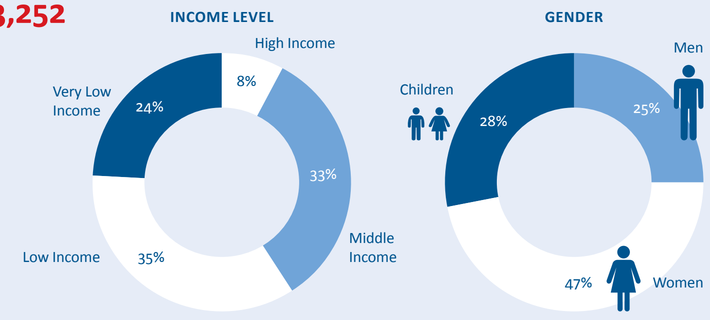


SOCIAL IMPACT

NUMBER OF PATIENT VISITS PER YEAR

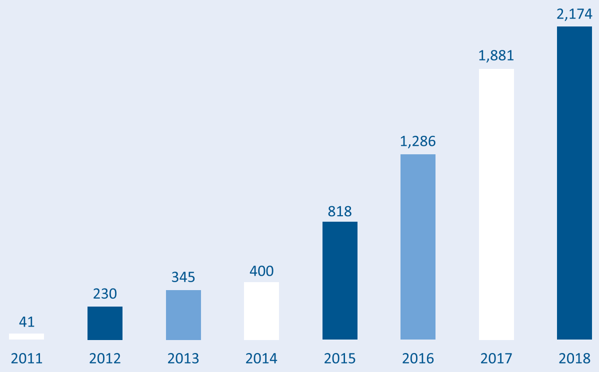


TARGET BENEFICIARY PROFILE FOR SMES REACHED



CAPACITY BUILDING

NUMBER OF SME HEALTH STAFF TRAINED



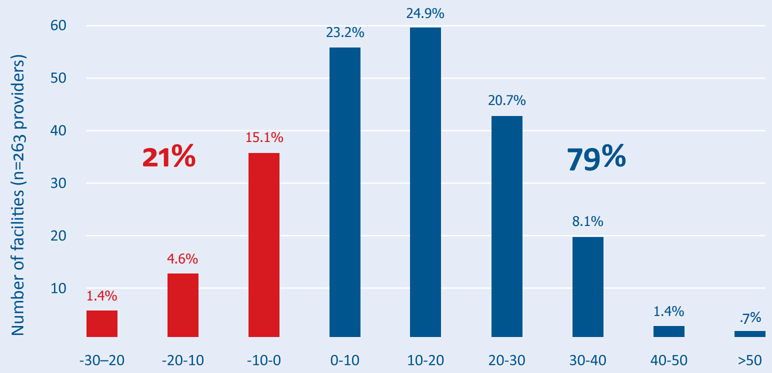
2,358
Number of bank staff trained

2,643
Business assessments

1,248
SafeCare assessments

QUALITY IMPROVEMENT

IMPROVEMENT RANGE OF HEALTHCARE FACILITIES



%
Improvement range

Managing Director Update

Arjan Poels

It is my pleasure to present to you Medical Credit Fund's annual report and financial statements for the year 2018. Our mission is to assist small and medium-sized enterprises in the health sector in sub-Saharan Africa strengthen their businesses and improve the quality of care they provide in their communities. We do this with a small but dedicated and passionate MCF team based in Dar es Salaam, Nairobi, Lagos, Accra and Amsterdam.

In 2018, MCF disbursed 1,151 loans, 60% more than in 2017, to over 600 health SMEs. More than half were first time customers who face difficulties in accessing loan products from local financial institutions. Most financing needs are met by working capital loans, bridging the gap between expenses and income, especially insurance payments usually face delays. MCF also provides loans for purchasing equipment and construction. Since inception, MCF has disbursed 2,930 loans with a total value of USD 51.4 million to 1,446 health SMEs.

MCF loans come with technical assistance programmes to increase the quantity and quality of care the health SMEs provide. This includes training of our clients' staff, assessing quality of services offered, identifying issue for improvement and supporting the clients implementing these improvements. On average, 79% of SMEs in the MCF programme have shown quality improvement.

MCF works with local financial institutions in order to increase their appetite in lending to the health sector. MCF increased its financial partnerships to 19 and trained over 2,300 bank staff in the area of health financing. Partners appreciate MCF's support, co-designing of products and especially the excellent loan repayment rate of 97%, a further improvement of the 96% in 2017. Through successful partnerships, MCF shows local financial institutions that lending to health SMEs is both good business and benefiting local communities.

Financially, MCF continued to suffer from the interest rate cap in Kenya, introduced by the Kenyan Government in August 2016. The cap pushed most banks away from SME lending including lending to health SMEs. Also, the cap resulted in a loss on MCF's Kenyan loan portfolio, which has historically been the larger share of MCF's portfolio. MCF's financial position, however, remains solid due to the strong support of our private and public lenders, and the Dutch Ministry of Foreign Affairs who has provided grants that form the foundation of MCF's blended capital structure.

For 2019, MCF is planning to further grow its impact in the region, both in existing countries of operation as well as through expansion into Zambia, Rwanda and Francophone West Africa, based on local needs and opportunities for partnerships. MCF is also further developing its digital lending product range in order to offer scalable and affordable working capital and asset finance products in the region.

Arjan Poels
Managing Director

Evelyn Nkirote Gitonga (1982–2018)

On June 2, 2018, the world lost a beautiful soul: Evelyn Nkirote Gitonga, Director Medical Credit Fund East Africa.

An amazing colleague and friend who excelled at building bridges. Bridges between bankers and healthcare professionals, boardroom executives and underserved communities, NGO's and investors. But also bridges within our organization, in her team and across countries. She charmed with her smile and good sense of humor. She could be tough when necessary, yet kind and sensitive. Evelyn knew what she wanted and how to reach her goals. She was curious, almost inquisitive, adventurous and always open to explore new things or places.

Evelyn started working with us in 2013 as a credit analyst and quickly climbed the ranks to become Director of the Medical Credit Fund East Africa. For her it was a deliberate choice to leave a promising banking career with Sidian Bank to contribute to the cause of improving healthcare in Africa. She had a genuine interest in improving the lives of fellow Africans and a special heart for low income communities. This dedication combined with a strong business sense, crystal-clear mind and relentless energy made her one of a kind.

To many of our customers, as well as her friends and family, she served as a consigliere, a respected and trusted advisor. One of these customers is Mrs. Dr. Wanjiru, owner of Nyali Children's Hospital, which was built with a loan from Medical Credit Fund. Today the maternity wing boosts a plaque in remembrance of Evelyn, which was unveiled by the Nyali MP Mohamed Ali at the opening of the new hospital on March 30st 2019.

With a bright future ahead, Evelyn was diagnosed with leukemia in 2017. She carried this fate courageously, undergoing heavy treatments without ever complaining, while she kept on working when she could. Unfortunately, this was a fight she could not win. After yet another treatment course, she started feeling weaker and suddenly passed away on a Friday morning, thirty-five years old.

We miss her dearly and feel for her family and friends who have to bear this loss. For us, the loss of Evelyn is all the more reason to keep working on improving the quality of healthcare in Africa. In her name.

Contents

MANAGEMENT BOARD REPORT

FINANCIAL STATEMENTS

1. Mobilizing Investments for Health

The Stichting Medical Credit Fund (hereafter to be called Medical Credit Fund or MCF) is the first and only fund dedicated to providing loans to small and medium sized companies in the health sector (health SMEs) in Africa. The Medical Credit Fund works with local financial partners to provide loans and combines this with technical assistance (TA) supporting business and quality improvement of health SMEs so they can provide better services to more customers.

1.1 INVESTING IN HEALTH SMES IN AFRICA

The limited resources, lack of efficiency and limited capacity of governments have left public health systems in Africa unable to serve their populations adequately. Public healthcare facilities often suffer from weak infrastructure, shortages of staff and supplies, and therefore provide poor quality services. The gap is filled by the private sector. About half of the African population, also those in lower income groups, seek healthcare from private providers and pay for these services out of pocket. However, the private health sector is poorly regulated and highly fragmented. The vast majority of companies in the private health sector are small and medium-sized businesses. The SMEs that serve lower income groups face challenges such as sub-standard infrastructure and equipment, a scarcity of skilled medical staff and poor quality of the services. Health SMEs have difficulty accessing capital to improve this situation because of their lack of banking history, limited collateral and the perceived high risk of the sector.

1.2 OBJECTIVES AND APPROACH

To address these constraints, the Medical Credit Fund was founded in 2009 by the PharmAccess Group, a group dedicated to connecting more people to better healthcare in Africa. Together with PharmAccess and its local partners, the Medical Credit Fund works to reduce investment risks for health SMEs through an innovative, integrated approach that combines financing with technical assistance to improve the bankability of health SMEs and stimulate business and quality improvements.

To accomplish this mission, the Medical Credit Fund seeks to have impact on three dimensions – financial, developmental, and social:

- **Financial:** Local financial markets start financing the private health sector because it has a stronger financial basis. Trust in the sector increases, financing becomes affordable and investors can expect a reasonable return.
- **Developmental:** A stronger and more efficient healthcare value chain delivering better services to patients.
- **Social:** Better healthcare services are available to more people, including people in urban slums and rural areas who are currently underserved.

The Medical Credit Fund has been widely recognized for its innovative approach. It received the G20 Financial Challenge Award from President Obama in November 2010 and the OPIC Impact Award in February 2014. In October 2014, the Medical Credit Fund was also selected as first runner-up for the SME Finance Innovation Award 2014 of DEG, FMO and PROPARCO. In March 2016, the Medical Credit Fund and SafeCare, its partner in improving clinical quality, were awarded a Finalist Award in the OECD DAC prize contest.[1] In June 2017, the Medical Credit Fund was nominated for the Financial Times/IFC Transformational Business Finance Award. The Medical Credit Fund was selected for the ImpactAssets 50 again in 2018.

1 The OECD Development Assistance Committee (DAC) recognizes organizations, which have taken an innovative approach to development beyond pilot phase to scale.

1.3 BLENDED CAPITAL STRUCTURE

The Medical Credit Fund is financed by a mix of grants and debt financing from public and private parties. By using public funds to catalyze funding from private sources, the Medical Credit Fund has been able to significantly increase its impact. The Medical Credit Fund's capital base of first loss is funded by grants from public and private parties and this serves as a risk cushion for investors, comprising a mix of private investors and semi-public development finance institutions.

The Medical Credit Fund had its first close in 2012, having raised a total of 28 million in US dollars (EUR 25 million). In 2016, the Medical Credit Fund expanded its mandate in response to the market demand for more flexible financing solutions. It now allows for larger loans up to USD 2.5m, provides loans in new geographic areas in sub-Saharan Africa as well as a broader range of healthcare enterprises in the value chain, and is growing the partner network to include non-bank financial institutions (NBFIs). To finance the expanded mandate, the Medical Credit Fund raised new capital from lenders and providers of first loss capital in three closings in 2016, 2017, and 2018. This has brought the total capital available for lending to more than USD 47.1m including the first loss capital which was expanded to USD 5.7m.

1.4 A UNIQUE APPROACH: COMBINING LOANS WITH TECHNICAL ASSISTANCE

The Medical Credit Fund implements a two-pronged approach that comprises a Loan Program in combination with a Technical Assistance (TA) program.

Loan Program

The purpose of the Medical Credit Fund is to help health SMEs borrow in local capital markets. The Medical Credit Fund mitigates the risks to banks and NBFIs through co-financing or guaranteeing loans in order to bridge the financing gap, for early stage borrowers in particular. The Fund facilitates standardized small loans and tailor-made larger loans, primarily in local currencies.

The Medical Credit Fund employs a policy of incremental lending. By starting with the provision of smaller loans to less experienced health SMEs these facilities are protected from over-stretching their repayment capacity. It also helps them to establish a positive repayment track record. These small loans do not require any collateral and can be used for simple and necessary business and quality improvements. This in turn increases their chances of meeting the more stringent collateral requirements for larger loans and helps them to enter a long-term growth and improvement path.

Moreover, together with its partners, the Medical Credit Fund improves or develops new loan products and services if the existing ones are posing barriers to access for health SMEs. It does not shy away from unconventional partners and technologies if they can contribute to developing flexible solutions that work for the Fund's clients. In this role Medical Credit Fund has successfully launched a loan product with the Ghanaian National Health Insurance Agency that finances receivables on insurance claims. Moreover, it has developed a loan product that uses revenues on M-PESA mobile payment tills as collateral for financing working capital shortages.

The loan portfolio of the Medical Credit Fund is segmented into small loans and larger loans, each with their own approach.

- **Small, Medium, Large Sized Loans < USD 200,000:** The Medical Credit Fund builds on the presence and capacity of its financial partners to provide health SMEs with capital for their investments. To reach a large number of relatively small health SMEs, standardization of processes and support services is key. The loans are offered in local currency. Contracts with the banks follow market developments, yet stipulate affordable interest rates for the health SMEs and prevent hidden charges. The Medical Credit Fund seeks to charge interest rates at the very low end in the SME market.
- **Extra Large Loans >USD 200,000:** These mostly tailormade loans are senior (partially) secured loans larger than USD 200,000. They can either be entered with the Medical Credit Fund's partner banks, direct lending or in syndicated loan arrangements with other banks and NBFIs. Larger loans are mostly used for more complex investment needs, often involving construction of new infrastructure and/or specialized medical equipment.

Overall, the Medical Credit Fund and its financial partners offer loan products in different sizes and with various tenures in local currency.

Table 1 Medical Credit Fund loan products

LOAN PRODUCT		LOAN SIZE (USD)	TENURE	SECURITIES
Regular Loans	**Small Loans**	< 15,000	< 12 months	Chattel mortgages, personal guarantees
	Medium and Large Loans	15,000–200,000	< 60 months	Conventional collateral, such as landed property and marketable assets
	Extra Large Loans	200,000–2.5m	< 120 months	
Receivable and invoice financing		25,000–200,000	< 9 months	Approved insurance claims and invoices
Digital Lending	**Cash Advance**	100–50,000	< 6 months	Digital revenues on M-PESA and M-TIBA[2] tills
	Mobile Asset Finance	1,000–50,000	< 36 months	Equipment, Digital revenues on M-PESA and M-TIBA tills

Technical Assistance Program

The provision of technical assistance (TA) to health SMEs has been an intrinsic part of the Medical Credit Fund's approach since its inception. The TA Program is aimed at reducing risk, improving quality, and enhancing trust in the sector.

Technical Assistance helps the Medical Credit Fund to evaluate the clinical and financial risks before a loan is approved. For healthcare providers the SafeCare standards play an important role in establishing and verifying the quality of the clinical services and managerial functions. After a loan has been disbursed, borrowers are supported in their quality and business improvement process. The SafeCare quality improvement plan identifies improvement priorities for healthcare facilities. The Medical Credit Fund is dedicated to building local capacity and expertise through working with partners in-country to deliver technical assistance and through developing curricula in health management with local training institutions.

Over the past few years this approach has proven its added value: repayment rates of Medical Credit Fund loans are high at above 95% and are often among the best performing of the partner banks' SME loan portfolios. At the end of 2018 the Medical Credit Fund's repayment rate was 97% on the loan portfolio outstanding. Furthermore, more than 75% of the healthcare providers have achieved an improvement of their SafeCare score, indicating a reduction in clinical risks.

1.5 IMPLEMENTATION PARTNERS

The Medical Credit Fund aims to be a catalyst for access to finance for the smaller and medium-sized healthcare facilities and to enable local entities to partner in its mission. To achieve its objectives, the

2 M-TIBA is the digital payment platform for health that was established by CarePay and PharmAccess in partnership with Safaricom and M-PESA Foundation.

Medical Credit Fund works with strong local and international partners in the financial and healthcare sectors. Banks and NBFIs are partners in the Medical Credit Fund's lending activities, while local health organizations and NGOs provide technical assistance services to healthcare facilities. In addition, the Medical Credit Fund and PharmAccess have partnered with local universities to develop training programs for the sector. Table 2 provides an overview of Medical Credit Fund's partners.

Table 2 Current MCF Partner Organizations

	Technical Partners	Financial Partners
Ghana	Marie Stopes Ghana (MSG) National Health Insurance Agency (NHIA)	uniBank (under special administration) Republic Bank Fidelity Bank Omni Bank
Kenya	Kisumu Medical and Education Trust (KMET) Population Services Kenya (PSK) Marie Stopes Kenya (MSK) Strathmore Business School	Sidian Bank SBM Bank Guaranty Trust (GT) Bank CarePay Faulu Microfinance Bank Credit Bank
Nigeria	Society for Family Health (SFH) Marie Stopes Nigeria (MSN) Enterprise Development Centre (EDC)	Diamond Bank Sterling Bank First City Monument Bank (FCMB)
Tanzania	Association of Private Health Facilities in Tanzania (APHFTA) Christian Social Services Commission (CSSC)	NMB EFTA BancABC Bank of Africa
Other/multiple countries	Uganda Healthcare Federation AMPC International Consultants (multiple countries) PharmAccess Group	TLG (Liberia), GT Bank (Uganda) Grofin (multiple countries), Facts (Kenya, Uganda)

Besides the above financial partners, MCF has partnerships with several medical equipment suppliers.

FINANCIAL PARTNER: FIDELITY BANK, GHANA

"Being the largest privately owned indigenous Ghanaian bank, the well-being and socio economic growth of Ghanaians and society at large, forms part of our strategic thrust. Fidelity Bank was therefore pleased to partner Medical Credit Fund (MCF) to align effort towards addressing pertinent issues in the health value chain, using innovative financing solutions.

MCFs partnership with Fidelity Bank led to development of a health-focused product and policy framework—with technical assistance attached—for healthcare providers in the private sector. Leveraging on the opportunity to innovate, a Receivable Financing (RF) product was also conceptualized and rolled out to market. The RF has so far delivered on its mandate of unlocking cash for health providers, credentialed under the country's National Health Insurance Scheme (NHIS). Its impact has been quite remarkable, promoting the all-inclusive agenda to improve quality of medical care, as well as make same affordable and accessible. Without it, most providers would be unable to restock medicines, pay utilities and sometimes salaries of employees on time.

What started as a fledgling health portfolio in 2017, grew rapidly to about 12.7M Ghana Cedis (2.5M USD) by year end 2018, with a healthy portfolio quality of 98%.Our satisfaction is hinged on the social impact this funding and technical support has had on the operations of health entrepreneurs who have been on-boarded under the partnership, as well as over 2 million Ghanaian lives touched so far.

At Fidelity Bank, we see ourselves more as Agents of Change, reshaping society and committed to improving quality of life, by providing sustainable access to finance and trusted advice. Innovation is therefore our key differentiator, constantly driving us to create value for our entrepreneurs in a sustainable manner."

—Mr. Julian Opuni, MD at Fidelity Bank Ghana Limited

2. The Loan Program: Trends, Disbursement and Portfolio Performance

2.1 TRENDS IN SUB-SAHARAN AFRICA IN 2018

Growth in sub-Saharan Africa continued to recover in 2018 though not as high as expected. According to the World Bank, the average GDP growth rate in region was around 2.7% against 2.3% in 2017. This is partly explained by the sluggish growth in the region's largest economies (Nigeria, Angola and South Africa) and unfavorable prices for commodities and agricultural products.

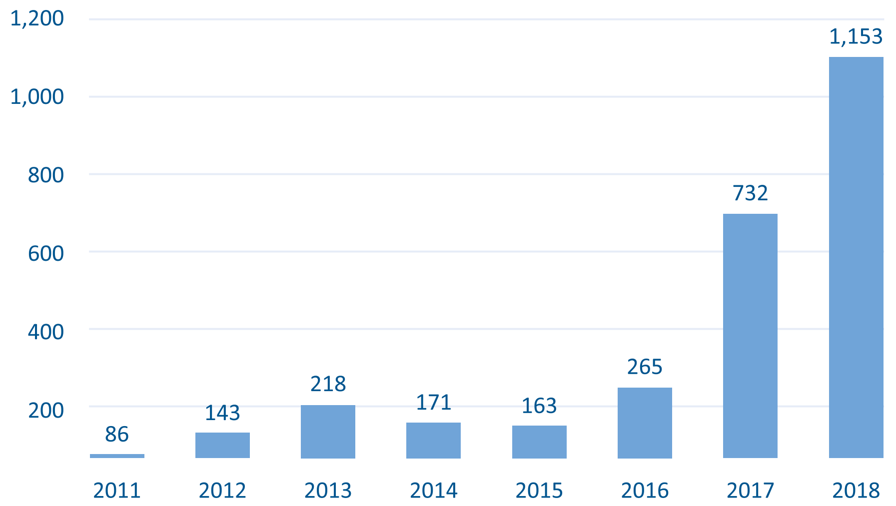
The Medical Credit Fund experienced tough market conditions in the countries where it is operating, hampering loan disbursement and portfolio performance to various degrees. At the same time strong structural developments are underpinning its business: the continent's rapid population growth, a continued growth of the middle class, and an increased recognition among policymakers that the private sector is a key and indispensable provider of care and a driver for efficiency and innovation in the sector. The ongoing growth of Africa's healthcare markets driven by the push for universal healthcare coverage (UHC) in many countries and the increased possibilities in providing digital lending solutions create ample opportunities for Medical Credit Fund to grow. Furthermore, the Medical Credit Fund anticipates that the unprecedented rise of mobile technology and the digitalization of Africa's economies will help make the Fund's operations more efficient and transparent, and will enable it to reach scale faster.

In the financial markets, there are several signs that point to an increased trust of the financial sector in healthcare investments. For example an increasing number of financial institutions who are active as Medical Credit Fund partners; several Medical Credit Fund partner banks have started branding loans to health SMEs as a mainstream SME product as opposed to a Medical Credit Fund product; and new banks are approaching the Medical Credit Fund with a request for partnership. MCF partners currently participate for about 46% in the funding and repayment risk of the total of USD 22m in capital outstanding by the end of 2018.

2.2 LOAN DISBURSEMENTS

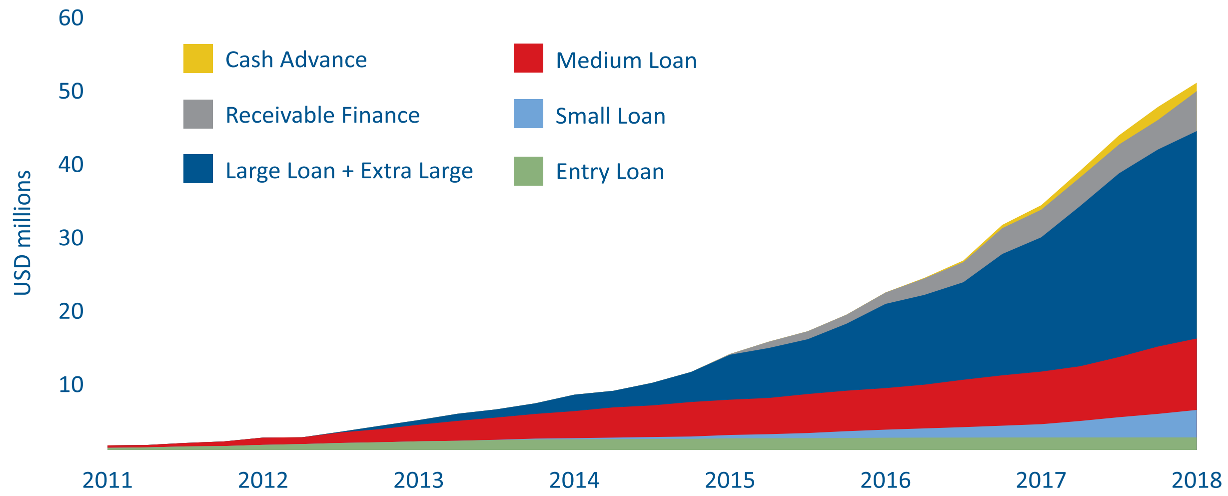
Since its inception, the Medical Credit Fund has disbursed 2,930 loans to 1,446 health SMEs in Ghana, Kenya, Liberia, Nigeria, Tanzania, and Uganda. The Medical Credit Fund disbursed 1,151 loans in 2018 with a value of USD 18m. Compared to 2017, loan disbursements were 57% more in number and 50% more in value.

Figure 1 Number of loans disbursed since 2011



The total cumulative disbursed amount grew to USD 50m at the end of 2018, with an average loan size of USD 17,500. As seen in Figure 2, loan disbursements in the Medical Credit Fund have diversified over time with the introduction of new loan products.

Figure 2 Cumulative loan disbursements since 2011



2.3 PORTFOLIO PERFORMANCE

Portfolio at Risk

The quality of the loan portfolio can be measured in terms of the Portfolio at Risk (PAR). PAR is a standard international metric of portfolio quality and reflects the portion of a portfolio that is deemed at risk because installments are overdue by a number of days. The repayment performance of the MCF portfolio, measured in PAR90 (more than 90 days overdue), has remained excellent in 2018 at 2.9% (4.1% in 2017). The development per country is displayed in Table 3.

Table 3 Overview of the Medical Credit Fund Portfolio at Risk (PAR90) per country

	2018	2017
Ghana	3.9%	5.5%
Kenya	3.1%	4.4%
Nigeria	0.3%	0.9%
Tanzania	10.0%	5.1%
Other	0.2%	0.0%
Overall	**2.9%**	**4.1%**

Loan losses[3]

Over 2018, loan losses on the average outstanding credit risk exposure decreased gradually to 2.9% at year-end 2018, down from 4.1% the previous year. While the relative losses were lower, the amount of loan losses in absolute terms increased to USD 660,107 versus USD 465,717 over 2017. This is due to the growth in the loan portfolio. Under IFRS 9 the Medical Credit Fund takes an impairment at disbursement, which should reflect the expected credit loss on the loan. The increase in impairments from new loans is partly offset by a release on impairments from improved loan portfolio quality.

3 Loan losses are defined as additions to impairments on the funded portfolio and costs on the guaranteed portfolio. These impairments and costs are recognized through the Statement of Comprehensive Income.

3. Country Overviews

3.1 KENYA

Economic developments and financial markets

The Kenyan economy showed an annual GDP growth of 5.7% compared to 4.9% in 2017, supported by agricultural production due to good weather conditions and a stable political climate. The positive economic development is however hampered by fiscal indiscipline, high foreign debt and increased domestic taxes. Kenya's population is growing at around 2.5% annually, whilst 36% of the population lives below the poverty line defined as monthly consumption of less than KES 3,252 (~USD 32.25).

The continued interest rate cap has reduced the appetite of most banks to lend to SMEs since investing in Government Paper is much more attractive. As a consequence, SMEs have little access to the capital market which hampers their growth.

Health sector developments

The National Hospital Insurance Fund (NHIF), the national government health insurance agency and largest insurer in Kenya, has been mandated by the Ministry of Health to implement Universal Health Coverage (UHC) in Kenya. Millions of Kenyans are already registered with the NHIF and more being signed up every day. A significant expansion in NHIF cover is expected from the drive towards UHC, which has captured the imagination of many and is part of the President's 'Big Four Agenda'.

In Kenya, the 47 sub-national county governments play a crucial role in this. Four counties (Kisumu, Machakos, Nyeri and Isiolo) are piloting the UHC model. This sets the stage for major policy and administrative reforms in the health sector to increase population coverage, enable access to healthcare services and raise the quality of services.

Whilst these developments are hugely promising, the World Bank has highlighted important gaps towards achieving UHC that will need to be addressed to sustain the initiative, both on the financing as well as on the delivery side. PharmAccess will contribute to finding solutions from the perspective of promoting value-based healthcare.

Kenya currently spends around 6.8% of its national budget on health (Ministry of Health, 2015) against the 2001 Abuja Declaration that committed sub-Saharan African countries to allocate 15% of their budget to health. High out of pocket spending on healthcare is still a major issue in Kenya, constituting about 32% of total health expenditure.

Meanwhile, the country continues to face serious human resource shortages in the healthcare sector. There are just 17 doctors for every 100,000 people, half the minimum ratio recommended by the WHO (36 per 100,000).

Portfolio performance

The Medical Credit Fund has its largest operations in Kenya. In 2018 a total of 658 (2017: 306) loans with a total value of USD 4.6 million (2017: USD 7.4 million) were disbursed (Table 4). This accounts for 57% of the total number of Medical Credit Fund loans and 27% of the total value disbursed in 2018, mainly due to the many smaller Cash Advance loans. The big drop in volume of loans disbursed compared to 2017 is linked to our partners' decreased appetite for larger loans, largely due to the interest rate cap. The Cash Advance loans are becoming an important product in Kenya, with a total of 612 Cash Advance loans disbursed in 2018 totaling USD 1.8 million.

Repayment performance in Kenya, as measured by PAR90, improved in 2018 from 4.4% to 3.1%, as a result of good portfolio quality development of the whole product range and with all partners.

Table 4 Overview loan portfolio in Kenya

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2018	Volume of loans disbursed in 2018 (USD)	Outstanding portfolio per 31 December 2018 (USD)	PAR90
1,435	25.6 million	658	4.6 million	11.9 million	3.1%

* Funded/guaranteed by partners and MCF together

LOAN PRODUCT INNOVATION: DIGITAL CASH ADVANCE PRODUCT

For healthcare providers it takes a lot of time, effort and money to obtain a loan from a bank. That is, if they can find a bank willing to finance them. That's why MCF developed the Cash Advance product, a short-term digital loan specifically designed for health SMEs. The Cash Advance product uses mobile revenues of healthcare providers to secure and repay the loans. Cash Advance loans range from USD 100 to 50,000 in KES and have no collateral requirements or administrative burden.

The owner of **Zamzam clinic**, Esther Muthoni, explains, *"I've accessed multiple cash advances to date to acquire a dental unit and better manage my cash flows especially when insurance payments are delayed. Bank terms are too bureaucratic compared to the ease with which I access Cash Advances."*

Anthony Karita, the owner of **Mijikenda Pharmaceuticals** says, *"Cash Advance has changed how I manage my cash flows since a pharmacy is highly working capital intensive. In the past, I would go to my bank for an overdraft facility. I would suffer frustrations since it would take hard work and continuous physical effort get it approved. What fascinates me, is the speed of approval and disbursement of the Cash Advance which is incomparable with the bank. The digital application process and absence of paper work in my opinion is a milestone in financing to business. Further, you don't notice when repaying due to the automated repayments. This has taken away headaches of putting together instalments as is the case with normal bank loans."*

In the wake of the success of Cash Advance, a follow-up product has been launched by MCF: Mobile Asset Financing. The product is based on the same features and technology and can be used for financing medical equipment such as ultrasounds and lab equipment. MCF plans to further develop digital finance in Kenya and other countries in sub-Saharan Africa.

Results so far:

879
Number of loans

94%
Retention rate

97%
Loan repayment performance

18
Equipment finance

USD 2.5 million
Total loans disbursed (in KES)

3.2 GHANA

Economic developments and financial markets

In Ghana, the economy grew 6.5% in 2018. Commodities including oil, gold and cocoa are the mainstay of the USD 43 billion economy and rising crude oil output is boosting the nation's finances. The external position has improved as the trade balance has shifted to a surplus. Meanwhile, inflation fell to 9.6% in July 2018, the first time in four years this has been inside the Bank of Ghana's target range of 6-10%. Ghana's population is growing at around 2.2% annually, with 24.2% of the population living below the poverty line.

The Bank of Ghana has introduced measures to firm up the financial sector, including the release of a Corporate Governance Directive to promote better financial standards. Parliament is also amending the Credit Bureau Act to compel all banks to comply with the Credit Bureau System. It is expected that these measures will stabilize the financial sector after two banks collapsed and five others were consolidated into one bank in the past year due to governance and capital concerns.

The five banks that were consolidated are UniBank Ghana Limited, Royal Bank Limited, Beige Bank Limited, Sovereign Bank Limited and Construction Bank Limited. The resulting bank (the second largest in the country) is fully owned by the Government of Ghana. UniBank was one of the partner banks of Medical Credit Fund and has been under special administration since March 2018. More information on the impact on Medical Credit Fund is provided in the Financial Chapter.

In addition, in December 2018, the minimal capital requirement for banks was set at GHS 400 million by December 2018. This caused some banks to merge, OmniBank (one of MCF's partner banks) being one of them. OmniBank is in a merger process with Sahel Sahara Bank, part of pan-African the BCIG Group. The other partner banks of Medical Credit Fund, Fidelity Bank and Republic Bank (former HFC) are not affected.

Non-Performing Loans in the Ghanaian banking system rose further to a high 19%. Interest rates continued to reduce from an unprecedented level of around 36% in 2016 to around 25% in 2018.

Health sector development

The health sector in Ghana is gradually transitioning from a primarily government managed public sector to a more diversified, decentralized system. The private sector (for-profit and not-for-profit) provides around 50% of all healthcare services in both rural and urban areas.

Ghana has committed politically, legislatively, and fiscally to providing universal health insurance coverage for its population, delivered through the National Health Insurance Scheme (NHIS). The most recent estimates suggest the NHIS has a total of 11.3 million active members, representing 42% of Ghana's population. However, the scheme has been threatened by mismanagement and a growing deficit which led to it being unable to pay healthcare providers. Since then the government has pledged to clear the NHIS debt by 2019. The NHIS is currently embarking on initiatives to increase its stagnating membership, including a mobile money pilot, and collaboration with the National Identification Authority to use the Ghana Card for new registrations, renewals and authentication.

In addition, the government has launched targets to increase coverage of antenatal care services and delivery, full immunization of children and a reintroduction of training allowances for nurses. Ghana has a National Healthcare Quality Strategy (2017-2021), initiated with a coordination and accountability framework for all relevant agencies, including the Health Facilities Regulatory Agency (HeFRA).

Portfolio performance

In 2018, a total of 94 loans were disbursed, 50% less than in 2017, mainly as a result of the loss of uniBank as an active partner. The total volume of disbursed loans in 2018 was USD 4.1 million, 50% more than in 2017. The larger loan volume is mainly due to disbursing larger loans and improved partnerships with Fidelity Bank and Republic Bank.

The portfolio quality, as measured by PAR90, improved from 5.5% to 3.9%, slightly above Medical Credit Fund's average. In Ghana PAR90 has historically been an issue due to long delays in insurance claim reimbursements to healthcare providers by the National Health Insurance Agency. The Medical Credit Fund portfolio is one of the best performing portfolios in the country comparing favorably with the country's high average of non-performing loan ratio of 19% (across all sectors). This attracts the interest of financial partners.

Table 5 Overview loan portfolio in Ghana

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2018	Volume of loans disbursed in 2018 (USD)	Outstanding portfolio per 31 December 2018 (USD)	PAR90
501	10.1 million	94	4.1 million	3.2 million	3.9%

* Funded/guaranteed by partners and MCF together

3.3 NIGERIA

Economic developments and financial markets

Nigeria's economy started a gradual climb out of recession in 2017 with 0.8% growth and this trend continued through the first quarter of 2018 with 1.95% year-on-year growth. However, the recovery faltered to 1.5% growth in the second quarter. This slowdown was chiefly driven by a reduction in oil production despite momentum in the non-oil economy. Although activity in the oil sector dropped markedly, partly due to pipeline disruptions, the impact on overall growth was partially mitigated by higher global energy prices.

On a positive note, activity in the non-oil sector increased in the second quarter, led by the impressive performance by the telecommunications sector. The economy is expected to further improve next year on the back of easing inflation, larger foreign exchange rate allocation and higher global oil prices, coupled with an increase in domestic oil production. Nigeria remains Africa's largest economy at USD USD 405 billion. Nigeria's population is growing at around 2.6% per year whilst 49% of its population lives below the poverty line.

Health sector development

The health sector in Nigeria experienced tremendous growth over the last year, on the back on increasing dialogue about Universal Health Coverage (UHC) and health insurance. 2018 has seen the ongoing proliferation of state-led mandatory health insurance schemes (such as in Lagos State) and the start of the implementation of the Basic Healthcare Provision Fund (BHCPF), a long-awaited budgetary allocation for basic healthcare needs.

As a result of this momentum, it is clear that more funding and other opportunities will be made available for the development and improvement of healthcare facilities in Nigeria over the next three to five years, in particular through public-private partnerships.

Nigeria has shown commitment to achieving UHC, but progress has been slow. The private health sector is highly fragmented, with poor quality oversight and limited access to capital for providers. Health outcomes are poor with only marginal improvements in recent years. Nigeria contributes 14% of all maternal deaths globally (WHO, 2015), second only to India. A recent review of health system financing for UHC in Nigeria shows high out-of-pocket expenses for health care (73%) and health insurance penetration of less than 5%. Government spending on health at all levels remains low due to insufficient allocation to the sector, challenges with tax revenue collection, and a lack of transparency.

Given the paucity of funds in the Federal Ministry of Health, there has been a proliferation of public-private partnerships as the government seeks to close the infrastructure gap in the sector and leverage external funds. As the health markets in Nigeria open up there will be an increase in the inflow of foreign direct investment (FDI), leading to the establishment of more general and specialized health facilities.

ACCESS TO FINANCE SCHEME, NIGERIA

In line with Nigeria's commitment to UHC, States have embarked on implementing State-led mandatory health insurance schemes. So far fifteen States have passed their health insurance bill into law. For these insurance schemes to be successful, good quality primary healthcare services need to be available. However, the public health sector in Nigeria, especially primary healthcare centers, suffers from longstanding issues with underfunding, staff shortages, weak management and low quality of care. Nigeria counts thousands primary health centers that have been built but are hardly functional or even abandoned.

The Access to Finance Scheme seeks to increase the availability of quality care by inviting private healthcare operators to revitalize and manage these currently defunct public primary healthcare facilities. The private operators are offered affordable loans made available through Bank of Industry with support of Medical Credit Fund to invest in the facilities. This will be combined with a technical assistance program and a quality improvement program using SafeCare standards.

The scheme has been developed by PharmAccess and Medical Credit Fund in collaboration with State Governments and the Bank of Industry. So far it has been launched in Lagos State in July 2018 and Delta State in November 2018. In these two States a total 68 health centers have been handed over to private operators. Several other States have shown in interest and are expected to embark on the Access to Finance Scheme in 2019.

Portfolio performance

The Medical Credit Fund disbursed a total of 290 loans (40% more than in 2017), mainly due to the Diamond Bank partnership and "Mediloan", the MCF – Diamond Bank loan for pharmacies, as a retail product to the market. The partnership with Grofin was also successful with a large investment. The portfolio quality remained superb with PAR90 at almost zero.

Table 6 Overview loan portfolio in Nigeria

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2018	Volume of loans disbursed in 2018 (USD)	Outstanding portfolio per 31 December 2018 (USD)	PAR90
677	6.3 million	290	2.9 million	2.2 million	0.3%

* Funded/guaranteed by partners and MCF together

3.4 TANZANIA

Economic developments and financial markets

Tanzania's GDP grew by around 7% annually in the past few years and with this, Tanzania remains the fastest growing country in the East African Community. Construction, mining, transport, and communications have been key drivers of Tanzania's growth in recent years. Significant public investment, particularly in large infrastructure projects, is expected to boost growth in 2018 and beyond. However, uncertainty in the business environment, combined with stalling private sector credit growth, could hinder private investment. The inflation rate remains stable, below 5% primarily due to low food prices. According to the World Bank the overall economic outlook is favorable if current trends remain.

Health sector development

The government has allocated more funds to the health sector, especially for the procurement of medicines. As a result, stocking levels in some public health facilities have increased significantly. However, more resources are required and innovative approaches to improve efficiency and affordability. Tanzania's Health Sector Strategic Plan 2015 – 2020 aims to reach all households with essential health and social welfare services meeting the expectations of the population, adhering to quality standards, and applying efficient, evidence-based interventions.

To address maternal and child health, the government (with support from stakeholders) is expanding the capacity of health facilities. However, the Ministry is currently reviewing its strategic approach to family planning including halting approved activities after a political speech by the President. This development may cause delays in achieving national targets for family planning and reveals a disconnect between national policy and political intent.

On health financing the government is committed to achieving Universal Health Coverage (UHC). Towards this goal, the government has agreed a nationwide rollout of the improved Community Health Fund (iCHF). A health insurance bill will shortly be sent to the parliament as a step towards UHC. If approved, this will see the eventual merger of the iCHF and National Health Insurance Fund (NHIF) into a single health insurance in the coming years. However, the national budget allocation to health remains flat at around 7-9% over recent years (Ministry of Finance and Planning, 2017).

Portfolio performance

Medical Credit Fund disbursed 102 loans in 2018, a significant growth compared to the 22 loans disbursed in 2017, primarily as a result of an improved partnership with NMB Bank. The portfolio quality, as measured by PAR90, however, worsened from 5% in 2017 to 10%, mainly due to non-performing equipment loans with EFTA. Further improvement is expected in 2019 as a result of the National Health Insurance Fund's plan to digitize the claims process, improving payment to healthcare providers.

Table 7 Overview loan portfolio in Tanzania

# of loans disbursed since inception	Volume of loans disbursed since inception (USD)*	Number of loans disbursed in 2018	Volume of loans disbursed in 2018 (USD)	Outstanding portfolio per 31 December 2018 (USD)	PAR90
307	4.4 million	102	1.6 million	1.1 million	10%

* Funded/guaranteed by partners and MCF together

3.5 OTHER COUNTRIES

Following its ambition to expand to other markets in sub-Saharan Africa, in 2018 the Medical Credit Fund explored business opportunities in multiple countries. Besides the above countries, in Uganda a total of 8 loans were disbursed against 1 in 2017. Activities in Uganda are managed from the Kenyan office. Furthermore, three countries in Francophone West Africa were visited – Senegal, Cameroon and Ivory Coast as well as Zambia. Medical Credit Fund will commission a formal market study in Senegal and Ivory Coast in 2019 with support from CDC. It is expected that in at least one of these countries the first Medical Credit Fund loan will be disbursed in 2019.

4. Technical Assistance Program

Together with its strategic partner, PharmAccess Foundation, the Medical Credit Fund provides support services or technical assistance (TA) to its (potential) borrowers. Before the loan approval, TA is focused on assessing the clinical and business risks of the health SME. Following loan approval, the support services aim to help the health SME grow its business and improve its quality.

4.1 TA IN PRACTICE

The majority of Medical Credit Fund borrowers are healthcare providers. For this group, the SafeCare standards play an important role in the technical assistance program, which supports healthcare providers in achieving quality improvement. For larger investments (> USD 200,000), especially in the case of construction projects, often more tailored support is required to mitigate repayment risks.

The Technical Assistance process starts with the preparation of a Business Assessment by a Medical Credit Fund business advisor. The Business Assessment describes the business profile and the financial profile of the business, its strategy and investment plan, and its repayment capacity. Finally, it gives a credit risk analysis. The Business Assessment is of value to the Health SME owner/manager as it includes recommendations for business improvement (e.g. how to improve on debt collection, or what new service offerings to develop) and also serves as a loan application document. That is to say, on the basis of the Business Assessment the Medical Credit Fund underwrites loans and the Business Assessment helps financial partners to complete their credit assessment.

The TA process continues with a SafeCare Assessment, on the basis of which a Quality Improvement Plan (QIP) is prepared. The SafeCare methodology is central to the Medical Credit Fund's objective to assess the clinical risks of a healthcare facility and to improve the quality of care. SafeCare is a comprehensive and internationally accredited (ISQua) system to assess quality and provide guidance and support for quality improvement. (See Annex 1 for more information on SafeCare.)

The QIP lists (high) risk areas that need to be addressed and require funding, e.g., renovations, medical equipment or ICT hardware and software. Most activities in a QIP, however, are "no-budget activities", which means that they need no investments to be implemented, such as the implementation of Standard Operating Procedures (SOPs), the implementation of a hand washing policy, the formation of a quality improvement team, and the development of job descriptions.

The QIP provides a health SME with guidance on which improvement areas need priority. In most cases the formation of a Quality Improvement Team within the health facility (if not already present) is the first step in the process. That team, consisting of key staff in the organization, meets periodically and monitors progress. It has access to the online SafeCare Library, where it can find templates of SOPs, checklists and supporting documentation on how to implement improvement activities. The library not only contains materials on typical clinical subjects like infection prevention and laboratory procedures, but also offers more business-oriented materials such as trade receivables management and guidelines for budgeting. The teams can reach out to PharmAccess or its TA partner if they need additional support on a specific topic. Depending on the location of the health facility, monitoring of QIP implementation occurs either through on-site visits or through other forms of communication (phone, e-mail, WhatsApp). In the latter case, the improvement team usually sends pictures or digital documents as proof of implemented QIP activities to the SafeCare Quality Advisor for reviewing. SafeCare is gradually transforming into a digital self-managed quality improvement platform, whereby the client can manage and monitor its own improvement process and get (digital) support where necessary.

For loans larger than USD 200,000 additional loan monitoring activities are warranted, as these loans come with higher risks. These clients are contacted shortly after loan disbursement to assess if investments have been implemented as foreseen in the credit proposal and (if applicable) where and why there were deviations. Thereafter, the client is monitored on a quarterly basis, whereby actual revenues, expenses, patient visits and (new) services uptake is reviewed against projections made in the credit proposal. The Medical Credit Fund Business Advisor also consults the (TA partner's) Quality Advisor and the Financial Partner's credit officer to collect additional information and records all in a quarterly monitoring report.

Also, for larger loans external expertise may be hired for specific subjects. For large construction projects expertise is being sought to review the architectural drawings and perform a life and fire safety assessment. To build local expertise in hospital design, Medical Credit Fund and PharmAccess have started a series of workshops for architects on hospital planning and design (see insert). For non-healthcare providers, the technical assistance in relation to quality improvement will be tailored to the specific business. For pharmaceutical distributors for example, a program towards Good Distribution Practice or ISO certification might be warranted. For medical education, links to international accreditation bodies and universities could be established with accompanying technical assistance. Via partners in the PharmAccess Group an extensive network of companies and institutions is available that can supply the required TA.

BUILDING CAPACITY IN HOSPITAL DESIGN, EAST-AFRICA

Designing healthcare facilities requires specific knowledge. In evaluating construction plans of its clients, the Medical Credit Fund has realized that many local architects and engineers lack the requisite experience and knowledge. Therefore, it was decided to set up a series of workshops on this subject to firstly create awareness of the need for specific expertise and to build local capacity and a pool of experts in hospital design.

In November 2018, a first of a series of workshops for architects was held. The program is organized in partnership with PharmAccess and AMPC (a Dutch health sector consultancy firm) and supported with funding from the Dutch Government (FDOV) and CDC. The first workshop was attended by 22 architects from Kenya, Tanzania and Uganda and included a study visit of Nairobi Hospital. The visit was an eye opener to many participants and triggered discussion on quality aspects in hospital design.

The participants highly appreciated the initiative and provided suggestions for collaboration with universities and architectural schools. Further workshops, case studies and meetings are planned for 2019. Through the program, Medical Credit Fund aims to build a pool of architects that are familiar with hospital design and can support MCF lenders.

Testimonial by a participant:

"What I have learnt is an eye opener. About a year or so ago, I did a hospital in Machakos and I had a lot of problems in accessing information and putting together what I thought was a good hospital design. Some of the gaps in the knowledge of the health sector have been addressed for me and I want to learn more.

The opportunity I have identified is networking. I have managed to meet people I would have never met in my professional life. Through them, I hope I will network and form a critical mass of architects that can produce designs of hospitals in Africa.

PharmAccess Foundation should introduce this kind of a programme to our universities where architectural students can begin to interact with the knowledge before they go into practice. I look forward to supervising many more students who will take up Hospital Design projects with the confidence that there is knowledge available for them."

—Crispino C. Ochieng, PhD, Professor, Department of Architecture, Jomo Kenyatta University of Agriculture and Technology

4.2 PARTNERS

The partnership with financial institutions (banks and other financial institutions) is instrumental for the Medical Credit Fund to reach its intended impact. First, one of the objectives is to attract these partners to increase their financing of the health sector. Second, the partnerships allow the Medical Credit Fund to make use of the extensive branch networks of these financial partners to reach scale and expand its impact. As part of this strategy the Medical Credit Fund trains the staff of financial partners on investing in the health sector and works closely with these institutes during due diligence and thereafter.

The management of TA to healthcare facilities is largely carried out by the Medical Credit Fund's strategic partner PharmAccess. In Kenya, Ghana (through the AHME program), and Nigeria, PharmAccess partners with KMET and local social franchise organizations for the provision of TA. In Tanzania, through the HDIF partnership, PharmAccess works with the Association of Private Health Facilities in Tanzania APHFTA, PRINMAT and Christian Social Services Commission (CSSC), to provide TA to 400 healthcare facilities.

For the larger investments, the Medical Credit Fund and PharmAccess are increasingly working with both local and international consultancy companies and training institutions to provide tailormade assistance. With regard to health infrastructure development, AMPC, a Dutch consultancy company, plays a role in advising large loan borrowers and training the Medical Credit Fund's own staff. AMPC is also involved in training local architects on hospital design. To build local capacity in the management of healthcare businesses training programs were set up with renowned local education institutes: the Strathmore Business School in Kenya and the Enterprise Development Center of the Pan-Atlantic University in Nigeria (see insert). The program with Strathmore Business School is supported by the Dutch Governments FDOV program and commenced three years ago. It has so far had 142 participants in executive and foundation courses. In 2018 a symposium on succession planning was organized and the pool of consultants that can support health SME was further strengthened.

4.3 ACTIVITIES AND RESULTS

Activities

In line with the growth of the Medical Credit Fund program, TA and training activities have increased significantly in 2018, leading to the outputs listed in Table 8.

Table 8 Outputs of Technical Assistance and Training Program

	2011	2012	2013	2014	2015	2016	2017	2018	TOTAL
Trained medical professionals	37	189	115	55	434	447	570	327	**2,174**
Trained financial partner staff	-	48	95	55	1,126	515	261	258	**2,358**
Business assessments approved	109	236	404	358	303	359	514	360	**2,643**
SafeCare assessments	70	125	180	101	211	223	190	148	**1,248**

In addition to attending existing trainings in quality improvement and business skills, more than 100 health SME managers participated in the comprehensive management capacity building programs referred to above, which includes executive healthcare management courses at the Strathmore Business School in Kenya and the Enterprise Development Center in Nigeria.

HEALTH MANAGEMENT PROGRAM, ENTERPRISE DEVELOPMENT CENTER, NIGERIA

The Medical Credit Fund and the renowned Enterprise Development Centre in Lagos, part of the Pan-Atlantic University, joined forces to develop a health management program (HMP). The HMP combines the strength of business leadership, management and entrepreneurship courses with unique health-care modules to provide deep insights into mechanisms and issues specific to the healthcare sector in Nigeria. The development of the curriculum for the program was supported by funding from CDC.

The program is delivered in several modules spread over five months and combines in-class teaching, case studies and online courses with hands-on support. The HMP is mainly aimed at managers of private healthcare facilities but has also enrolled participants from banks and public institutions. The first cohort of 41 participants graduated in December 2018, while a second cohort of 26 will graduate in December 2019.

The impact of the Health Management Program goes far beyond the walls of the classroom. Alumni form a community of private sector operators and continue to exchange and collaborate. Several of the health entrepreneurs who participated in the program have subsequently been selected as private operators to operate public health centers under the Access to Finance Scheme (see page 21).

Testimonial of a participant:

"In Nigeria, doctors are not taught about business in medical school and so they struggle to run profitable businesses. This program is one of the best things that has happened in the healthcare in Nigeria recent times. The Healthcare sector will remember Medical Credit Fund positively for this."

—Dr. Babatunde Olujobi,
Donolush Healthcare Services

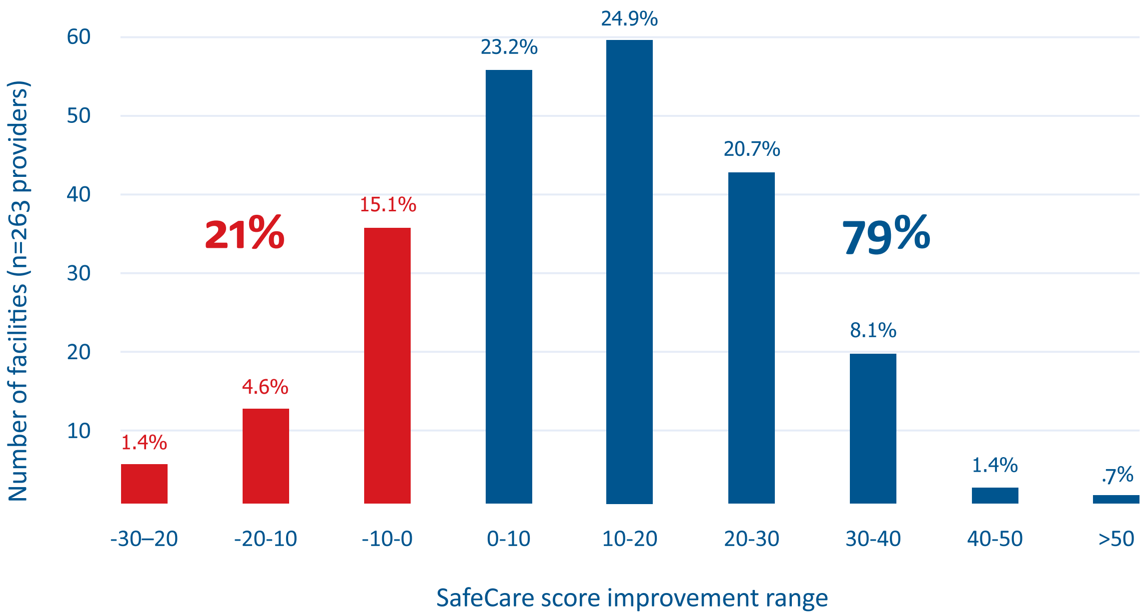
Results

The Medical Credit Fund measures its developmental results using the SafeCare baseline and follow-up assessments of each healthcare provider. These assessments provide insight into the overall performance and consequently the degree of improvement of a healthcare facility after receiving the loan and technical assistance.

When categorizing the results by range of improvement, three groups of facilities can be identified as follows:

- A total of 54% of the facilities managed to improve substantially (more than 10 points on a 100 point scale). They can serve as examples for others. Moreover, they can be used for introducing and testing new initiatives or innovations.
- A second group, comprising 24% of the facilities, showed moderate progress and is likely to improve more with additional support.
- The remaining 22% were not able to improve and may even have shown a decrease. Staff changes and limited commitment of staff to the quality improvement process turned out to be factors contributing to the poor score. Sustaining higher quality levels throughout the facility also appeared challenging.

Figure 3 Improvement range of healthcare facilities in the Medical Credit Fund program



Next to its quality improvement program, the Medical Credit Fund has also invested in more business support-oriented support elements, such as the Healthcare Management courses at SBS and EDC. Although these results may be less tangible in terms of numbers, this form of assistance has led to valuable results for individual health SMEs and contributes towards their longer-term clinical and business objectives.

SORI LAKESIDE HOSPITAL, KENYA

Sori Lakeside Hospital started as a simple clinic in 1986 in a shopping center in Migori county in Western Kenya, which has around 1 million inhabitants. Since then it has relocated to a larger building and gradually grew into a hospital with 100 bed capacity, 60 staff and about 30,000 patient visits per year. Around 60% of patients in the hospital are insured through public and private health insurance programs, while 4,700 are under capitation from the National Hospital Insurance Fund. The hospital offers general outpatient and inpatient services, a laboratory and pharmacy, operating theatre and X-ray services, MCH / family planning, HIV/Aids screening and counseling, and physiotherapy.

Sori Lakeside Hospital entered two term loans totaling KES 30 million (USD 300,000) with Medical Credit Fund and Sterling Bank to renovate its infrastructure and purchase equipment and an ambulance. Now the two term loans have been paid back the hospital entered the cash advance program.

As part of the Medical Credit Fund program, the hospital entered a quality improvement program. It has improved from SafeCare level 1 in 2015 to SafeCare level 4 in 2017. The improvement can largely be attributed to the commitment of the hospital management to quality and a well-functioning quality improvement team.

Mr. John Okeyo, Managing Director and Chairman of the Board, Sori Lakeside Hospital on his recent Cash Advance loan:

"We are very grateful for cash advance which we have been getting through you. Cash Advance has enabled our facility to grow. Some of the things it has done to us:

1. Payment of staff salaries: initially we used to have delays in paying our salaries as a result of delayed payments from our insurance companies and NHIF. With cash advances currently our staff salaries are paid in time and we do not have any back log of staff salaries.

2. Drugs and medical supplies: our pharmacy currently has enough drugs for our patients and enough stock at all times thanks to cash advance.

Before the cash advance the staff motivation was low, we used to have countless stocks out and the basic operation was hectic due to lack of crucial cash flows. We believe that one can grow with Cash Advances if well utilized."

5. Financial Overview: Income, Expenditure and Funding Positions

5.1 RESULT ON LOAN PORTFOLIO

Over 2018, the Medical Credit Fund had a negative result of USD 126,708 on its loan portfolio, an improvement from a loss of USD 582,020 over 2017. Medical Credit Fund had a lower net interest margin over 2018, which was offset by higher non-interest revenue, lower impairments and lower fundraising costs compared to the previous year.

The Medical Credit Fund net interest margin was squeezed during 2018 for a number of reasons. Firstly, the interest rate cap in Kenya declined from 14% to 13% during the year combined with declining interest rate environment in Ghana where lending rates decreased by 500 bps during the period (from 30% at the end of 2017 to 25% in 2018). Secondly our cost of funds increased during 2018 due to rising interest rates in the United States (US 6-month LIBOR increased from 1.8% at the end of 2017 to 2.8% at the end of 2018) coupled with an absolute increase in hedging costs due to growth in the loan portfolio in Ghana necessitating a larger hedge over the USD GHS exposure.

Due to the increased FX exposures and investor requirements to hedge the open FX positions above USD 1.25m, total FX result, including derivatives has come at a cost of USD 763,597 with all outstanding hedging positions also having negative positions on the balance sheet at year end. This equates to about 8.0% percent of the average funded portfolio value. Average costs of total borrowings rose to 4.4% on the USD (4.0% in 2017).

Non-interest revenue increased to USD 139,601 (USD 73,945 in 2017) largely due to some larger deals disbursed with Grofin which earned fees for MCF as well increased guarantee fees through the Mediloan product in partnership with Diamond Bank in Nigeria. With the first direct lending loans being disbursed in 2019 we expect good growth in Non-interest revenue in 2019.

Impairments on the loan portfolio (loan loss provisioning) reduced in 2018 due to improved portfolio quality with the loan portfolio at risk (PAR 90) improving from 4.1% in 2017 to 2.9% in 2018. Loan portfolio quality approved across all counties with the exception of Tanzania. 2018 was a relatively stable year across all countries from a political and economic perspective compared to the preceding years from which the portfolio appears to have benefited.

Medical Credit Fund incurred an additional impairment on partner banks of USD 109,686 which consists of an additional provision of USD 402,138 on Unibank which was offset by a release of the provision of Chase Bank of USD 292,452. Management of Medical Credit Fund made the decision to release the provision on Chase Bank as the majority of our exposure with Chase Bank was acquired by SBM Kenya in August 2018. Whilst the situation with our Chase exposure improved the situation with Unibank worsened. Unibank has been under special administration since March 2018 and has subsequently been consolidated with four other poor performing banks into the Consolidated Bank of Ghana (CBG) which is wholly owned by the Ghanaian Government. Unibank is currently under the administration of KPMG. MCF is receiving legal counsel and will make an approach to KPMG to make a claim over its outstanding exposure, however the risk of financial losses has significantly increased since 2017. For more information on provisions over partner banks refer to the financial statements of Medical Credit Fund.

Other loan portfolio costs have declined since 2017. Fundraising costs reduced significantly as there were no specific fundraising activities in 2018 resulting in lower legal and other financing costs. Whilst foreign exchange losses on the loan portfolio improved from the previous year with the Ghanaian Cedi being the only the currency exposure that depreciated significantly against the US dollar during the reporting period.

Table 9 Results on Loan Portfolio

	2018 (USD)	2017 (USD)
Interest Income on Loan portfolio	1,412,009	940,374
Interest on deposits from Guarantee agreements	44,750	26,436
Interest costs	(548,470)	(311,269)
Hedging costs	(763,597)	(376,829)
NET INTEREST MARGIN	**144,692**	**278,712**
Fee Income on Loan portfolio	46,997	0
Guarantee fee Partner Bank	73,769	36,135
Consulting Income	10,999	0
Other gains and losses	7,836	37,810
NON-INTEREST REVENUE	**139,601**	**73,945**
GROSS INCOME LOAN PORTFOLIO	**284,293**	**352,657**
Loan portfolio costs	(26,309)	(46,444)
Foreign exchange results on Loan portfolio	(37,000)	(153,378)
Fundraising and other borrowing costs	(48,295)	(276,508)
Impairment of Funded Loan portfolio	(96,947)	(202,725)
Impairment of Guaranteed Loan portfolio	(92,764)	(2,330)
Impairment of Partners	(109,686)	(253,292)
TOTAL RESULT ON LOAN PORTFOLIO BEFORE MANAGEMENT COSTS	**(126,708)**	**(582,020)**

5.2 FUND MANAGEMENT

Over 2018 the Medical Credit Fund's core expenditure amounted to USD 2,548,326 which is stable compared to USD 2,569,382 last year. These costs have been fully funded by grants, resulting in a financial result on core operational activities of zero.

5.3 GRANT POSITIONS

The Medical Credit Fund's grant position was solid at the end of 2018.Management is comfortable with the grant position, reserves, and contracted income of over USD 2.5m. The first-loss position also remains very comfortable at USD 5.7m despite the negative result over 2018. This first-loss cushion is about 49% of the Medical Credit Fund's total credit exposure on loans.

Table 10 Grant Position

	CONTRACTED (31-12-2018)	REALISED (CUM. 2012-2018)	GRANT POSITION BUFFER
	USD (1)	USD (2)	USD (1–2)
Start-Up	903,049	903,049	-
First-Loss	6,712,058	1,004,717	5,707,341
Technical Assistance	2,291,665	2,276,504	15,161
Management Costs	11,894,240	9,548,338	2,345,902
AHME	2,067,209	2,067,209	-
Unrestricted	197,378	72,718	124,660
TOTAL	**24,065,599**	**15,872,535**	**8,193,064**

For 2019 and beyond, the Medical Credit Fund can find assurance in the contract between PharmAccess and the Dutch Government on a grant of EUR 76m (USD 83m) until 2023. The objective is for the Medical Credit Fund to increasingly finance the management costs from the result on its portfolio, but some financial support over the short/medium term is required to build a sizeable portfolio in this difficult SME segment. The commitment from PharmAccess is shown by the USD 2.7m grant received for 2019 to cover management costs, including a 25% cushion cover.

5.4 FUNDRAISING 2018

In 2018, the Medical Credit Fund closed its last round of fundraising, which MCF initially started in 2015. Since inception, MCF has raised USD 52m in borrowings from 16 different parties, of which 11 parties are private and 5 parties are DFIs (development finance institutions). This last closing reeled in a local currency financing (Kenyan Shilling) from EIB of USD 5m This financing round should last until 2019 when the commitment period ends. Currently not all funds have been drawn as per 31-12-2018. MCF is in talks with its lenders to extend the commitment period after 2019.

6. Risk Management and Governance

6.1 CREDIT RISK MANAGEMENT

The Medical Credit Fund is exposed to various financial risk types. Credit risk or repayment risk, foreign currency risk and liquidity risk are the most applicable. The Medical Credit Fund has a direct exposure to repayment risk of the loans disbursed to the health SMEs in the program, and shares part of this repayment risk with its financial partners. The loans are subject to a dual underwriting and appraisal procedure and monitoring process, as the financial partners and the Medical Credit Fund each use their own underwriting procedure.

The Medical Credit Fund uses a standardized business template to analyze the many aspects of a health SME's business profile, market position, investment risk, bank account history, and financial statements. The template focuses on the specialized nature of the healthcare business, including clinical quality aspects. The credit analysis combines healthcare sector specifics with a thorough financial analysis, which is greatly valued by the Medical Credit Fund's financial partner. In turn, the Medical Credit Fund relies largely on the knowledge and handling capacity of the local financial partners for collateral valuation and perfection.

As the portfolio will increasingly comprise larger investments, the concentration risk increases. When appropriate, the Medical Credit Fund provides tailored TA before its investment to enhance the investment strategy and mitigate risks for these larger investments. It also contracts external specialist advisors if necessary.

The Medical Credit Fund and its technical partners perform periodic visits to and monitoring of the health SMEs. When a client falls into arrears, there is a dual follow-up by both the financial partner's and the Medical Credit Fund's staff. When needed, clients are monitored more frequently. The Medical Credit Fund also holds monthly portfolio meetings at both the local offices and at its head office in Amsterdam to discuss arrears, write-offs, and the pipeline. Large loans (i.e., with a Medical Credit Fund credit exposure above USD 100,000) are reviewed by a Credit Committee. The Credit Committee consists of a minimum of three members, including at least one external member and one supervisory board member with veto power.

6.2 FOREX RISK, INTEREST RATES, AND LIQUIDITY MANAGEMENT

The foreign currency and liquidity risk are monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its cash positions and currency risk exposure, whereby an individual forex exposure on the outstanding loan portfolio above USD 1,250,000 is hedged, using a forward or cross currency swap instrument of the local currency against the dollar.

Up until the end of 2018, the Medical Credit Fund had mostly hedges on KES:USD outstanding at a value of USD 7,500,000 and one GHS:USD hedge of USD 1,000,000 equivalent. Through these hedges, the Medical Credit Fund lowered its exposure on the Kenyan Shilling and Ghanaian Cedi offset by a USD exposure. As Medical Credit Fund borrowings are also in USD, the Medical Credit Fund hedged the local currencies against the USD exposure instead of towards the EUR exposure.

Hedging costs are mostly driven by interest rate differentials between currencies, the so-called interest rate parity. When interest rates rise in local currency, the hedging costs of the respective currency will also rise, ceteris paribus. The costs of hedging for the Medical Credit Fund, therefore, are to be implicitly covered by the interest income that is earned on its local loan portfolio. Market inefficiencies and changes in expectations, however, can lead to discrepancies. These hedges are not perfect hedges and as such, the Medical Credit Fund has not applied hedging accounting in its books.

6.3 GOVERNANCE

The Medical Credit Fund operates within the scope of the PharmAccess Group, leveraging its existing networks, market knowledge and partners. Following the signing of a Support and Facility Agreement, PharmAccess has equipped a division, including all necessary support staff, which has, amongst other things, the delegated responsibility for the implementation of the TA activities for the Medical Credit Fund. In addition, PharmAccess' institutional infrastructure in the areas of human resources, administration, IT support, marketing and communication has been placed at the disposal of the Fund. The Medical Credit Fund can therefore fully utilize and reap the benefits of PharmAccess' unique organizational and health sector related assets such as market intelligence, program management skills, quality standard frameworks and investment and support capacities.

Governance Structure

The key features of the structure are:

- **Management:** Each of the entities is managed by the same structure: the executive board consists of the PharmAccess Group Foundation (PGF) together with the managing director of each entity. The management responsibility of all entities (PAI, HIF, the Medical Credit Fund, SafeCare) is vested in the members of PGF's executive board (statutair bestuur), who has delegated the management of MCF to the MCF Management Board. The MCF Management Board consists of the MCF Managing Director and Finance Director.
- **Supervision:** All entities including PGF are supervised by one Supervisory Board. Two members of the Supervisory board have the Medical Credit Fund as a special responsibility and interest area.

The Supervisory Board has appointed an Auditing Committee consisting of three of its members. A Medical Credit Fund Credit Committee was established that reviews and approves all investments with a MCF credit exposure larger than USD 100,000 and new partners and products. The Supervisory Board of PGF and Credit Committee are composed of a group of senior professionals, representing comprehensive experience in the health sector, non-governmental organizations, finance, investing and banking in Africa, and knowledge of healthcare in general and specifically in Africa.

During 2018, four Supervisory Board meetings and two Audit Committee meetings were held. During these meetings, the Supervisory Board reviewed and approved the activity plan, budgets and annual accounts. Furthermore, the progress of the Medical Credit Fund in relation to its goals and ambitions was monitored and the challenges faced were deliberated. The Supervisory Board provided feedback on the proposed product developments with the aim to further innovate and to achieve the mission. A total of 27 credit proposals were reviewed by the Credit Committee.

7. Outlook 2019

The Medical Credit Fund expects to continue growing a good quality loan portfolio and contribute to better healthcare availability in sub-Saharan Africa. This will be on the basis of growing partnerships and expanding the digital lending efforts to disburse loans without partners. A strong deal pipeline supports the positive outlook.

7.1 STRATEGY AND EXPECTATIONS FOR 2019 AND BEYOND

The Medical Credit Fund will continue to engage in and build partnerships as well as further develop its digital finance solutions and enter into direct financing agreements with health SMEs in certain instances, further expanding financing possibilities to health SMEs.

Partnerships

The Medical Credit Fund will further develop its partnerships. Besides it's partnerships with banks and non-bank financial institutions, Medical Credit Fund has entered into collaborations with equipment manufacturers/distributors. Several new products are in design or pilot phase at the end of 2018 and are expected to contribute to the expected growth. It will cultivate the Medical Credit Fund portfolio, deepening its relationship with existing clients by issuing new loans to them.

Products and processes

The Medical Credit Fund will continue to provide solutions for working capital needs, equipment finance and expansion finance. For the products focusing on working capital, processes will be streamlined further to reduce turnaround times and loan requirement and establish scalable solutions. Digital finance products, like the successful cash advance product in Kenya will be launched in other countries.

Footprint

Besides growing the portfolio in the existing countries, the Medical Credit Fund will proactively seek and pursue opportunities in the growing healthcare markets in sub-Saharan Africa. The Medical Credit Fund is currently exploring possible expansion into Zambia, Rwanda and/or Francophone West Africa.

Funding beyond 2019

In September 2019, the commitment period of MCF's borrowings will end. Over the course of 2019, MCF will be discussing various options to extend funding from its current lender base and start setting-up alternative funding channels to accommodate for continuing growth beyond 2019.

7.2 TECHNICAL ASSISTANCE

In line with the two-track approach of offering standardized small loans and tailored larger loans, the TA program will follow the same route going forward.

For the smaller loans the Medical Credit Fund will further standardize and where possible capitalize on the opportunities brought about by the digitalization of Africa's economies to enhance cost efficiency. The thorough revision of the SafeCare standards completed in 2016 (see Annex 1: SafeCare Standards) and the resulting "lighter" SafeCare basic assessment tool has been an important step in this direction. SafeCare is in the process of further digitalizing its tools to allow for self-managed quality improvement, distant monitoring and digital support.

For the large loans the support provided is more tailored. Where possible the Medical Credit Fund works with professional consultants and Business Schools for expert advice and schooling in the field of hospital construction, advanced medical equipment management and hospital management. In Kenya (through the Strathmore Business School) and Nigeria (through the Enterprise Development Centre, which is part of Lagos Business School) the Medical Credit Fund has successfully developed integrated capacity building programs. In Ghana, the Medical Credit Fund and PharmAccess provides business training programs for healthcare professionals that are accredited by the Medical and Dental Council. Participants in this program obtained CME (Continuous Medical Education) points, underscoring the importance of business education as part of the healthcare curriculum for health professionals.

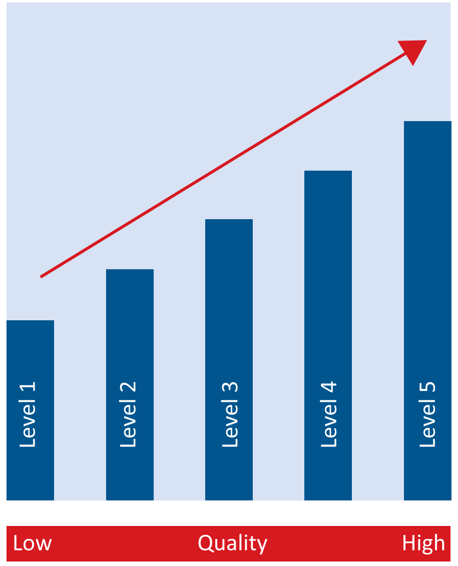
Annex 1: SafeCare Standards

SafeCare

The SafeCare methodology entails a set of international (ISQua accredited) clinical standards that evaluate the structures and processes that guide the delivery of healthcare. The standards are solid, secure and realistic for LMICs; they can be used from small health shops to large district hospitals. Most importantly, they involve no compromise: they advocate the same quality standards as other international bodies.

SafeCare offers a clear, objective view of a facility's current scale, scope and quality of clinical services, provides a detailed improvement plan to guide it on its quality improvement journey, and benchmark it against others of a similar size nationally and internationally. The result? Increased knowledge, transparency and trust from patients, governments, investors and insurance companies, ensuring long-term quality and safety improvement from the very poorest regions to the modern cities of Sub-Saharan Africa.

Figure 4 SafeCare levels



Stepwise improvement

Healthcare providers in resource-poor countries often operate in challenging environments that are defined by staffing shortages, resource restrictions and inadequate infrastructure. They struggle with patient safety and quality demands and have limited data and insights on overall quality performance.

With SafeCare, stakeholders in healthcare provision can gain insight in identified gaps and challenges and take a stepwise approach towards higher quality. With tailor-made quality improvement plans, technical support, consulting visits and innovative quality improvement platforms, facilities progress along a quality improvement trajectory in achievable and measurable steps. Ultimately, facilities are equipped to monitor and improve their quality by integrating the principles of continuous quality improvement into their daily operations.

CERTIFICATE DEFINITION

Level 1: The quality of the services provided is likely to fluctuate and there is a risk of unsafe situations.

Level 2: The facility is starting to put processes in place for high-risk procedures, however the quality of services provided is still likely to fluctuate and the risk of unsafe situations remains high.

Level 3: The facility is starting to operate according to structured processes and procedures, however not all high risk procedures are controlled, thus the quality of services provided can still fluctuate.

Level 4: The facility is accustomed to operate according to standardized procedures, and has started to monitor the implementation of their procedures and guidelines. Most high risk procedures are monitored and controlled and the quality of services provided is less likely to fluctuate.

Level 5: The facility is regularly monitoring the implementation of treatment guidelines and standard operating procedures through internal audits.

SafeCare Standards

The SafeCare standards cover a full range of medical to non-medical aspects of care. They enable a holistic view on all required components for safe and efficient healthcare service provision. Topics are as diverse as human resource management through to laboratory services and in-patient care. The four broad categories are divided into thirteen categories (Service Elements), linked to separate management responsibilities within the healthcare facility.

Ten topics are specifically surveyed: Emergency Care, HIV/TB/Malaria, Infection Prevention, Life & Fire Safety, Maternal, Neonatal and Child Health (MNCH), Patient Centeredness, Quality Assurance, Business Management, Staff Allocation and Guidance and Supply Chain Management.

Any issues that impact the safety, quality or financial sustainability of the facility are highlighted as priority areas, so prompt and effective action can be taken to address them. Depending on a facility's performance against the SafeCare standards, it will be awarded a certificate of improvement reflecting the quality level, ranging from 1 (very modest quality) to 5 (high quality), based on their scoring. The certification process aims to introduce a transparent, positive, and encouraging rating system, which recognizes each step forward in quality improvement.

Figure 5 SafeCare Service Elements

Data-driven decision making

As well as enabling healthcare providers to improve their quality, the SafeCare methodology allows other stakeholders—ranging from donors, insurance companies, investors and provider networks through to governments—to accurately assess, benchmark and monitor healthcare quality and allocate resources more effectively. By differentiating between facilities that are delivering high quality services and facilities that require additional investment and support, benchmarking is possible at regional, national and international level. Robust online due diligence reports are combined with cost-efficient improvement strategies, which can guide fact-based decision making, better grip on (health) outcomes, training needs, risk management for quality investments and contracting. As such, the SafeCare approach sets the stage for sustainable quality improvement and builds momentum towards the goal of improving health outcomes.

Digital technologies

To realize the greatest possible impact, SafeCare consistently innovates in creating efficient solutions that incentivize a modern real-time path towards quality improvement. Acting on digital technologies, SafeCare streamlined the assessment process by developing an automated assessment tool which, through standardization, improves efficiency of the process and enables scaling. SafeCare is in the development phase of an all stakeholder Quality Platform that provides the means to guide progress, investment and decision making. The SafeCare Quality Dashboard, an interactive quality-management platform complements technical assistance and helps to motivate and incentivize healthcare facilities to improve. From weekly challenges, connection to best practice examples, real-time progress, to connecting different stakeholders and consistently building value for all. Technology that can bridge the gap between today and a safer tomorrow.

Signing of the Management Board Report

By: non-statutory management board members of Stichting Medical Credit Fund

____

A.W. Poels, Managing Director

____

B.L.S. Schaap, Finance Director

By: Stichting PharmAccess Group Foundation, statutory board of Stichting Medical Credit Fund, duly represented by:

____

M.G. Dolfing-Vogelenzang

____

J.W. Marees

Amsterdam, The Netherlands, April 29, 2019

FINANCIAL STATEMENTS

Statement of Financial Position as at 31 December 2018 after appropriation of the result

(USD)	Note	12/31/18	12/31/17
ASSETS			
Non-current assets			
Loan Portfolio	1,2,19	6,552,944	4,714,231
Investments	3	-	502,021
Deposits non-current	4	19,240	19,240
Property, Plant, Equipment		13,764	15,685
Total non-current assets		**6,585,948**	**5,251,177**
Current assets			
Current Portion of Loan Portfolio	1,2,19	3,665,868	2,352,532
Receivables from Partner Banks		492,091	552,372
Prepayments on projects		370	-
Other receivables, prepayments and accrued income		517,861	336,292
Cash and cash equivalents	5,19	5,349,346	9,023,217
Deposits current	4	5,471,981	722,444
Total current assets		**15,497,517**	**12,986,858**
TOTAL ASSETS		**22,083,465**	**18,238,034**
CAPITAL AND LIABILITIES			
Capital	6	**318,215**	**318,215**
Non-current liabilities			
Long-term debts	7	13,432,898	11,098,035
Total non-current liabilities		**13,432,898**	**11,098,035**
Current liabilities			
Current portion of long-term debts	7	1,611,843	-
Trade creditors		27,491	152,184
Liabilities to Partner Banks		62,110	42,802
Deferred Income	8	5,520,195	5,468,999
Liabilities related to Projects	20	-	300,298
Taxes and social security contributions		29,428	18,879
Derivative financial instruments	9	519,092	375,860
Financial Guarantees	1,2	146,196	50,255
Other current liabilities and accruals		415,997	412,507
Total current liabilities		**8,332,352**	**6,821,784**
TOTAL EQUITY AND LIABILITIES		**22,083,465**	**18,238,034**

Statement of Comprehensive Income for the year ended 31 December 2018

(USD)	Note	2018	2017
Income projects	10	2,675,035	3,151,402
Interest Income on Loan portfolio	11	1,412,009	940,374
Fee Income on Loan portfolio	11	46,997	-
Income from Financial Guarantee Contracts	11	118,519	62,571
Total income		**4,252,560**	**4,154,347**
Project costs TA	12	(105,548)	(122,943)
Loan portfolio costs	11	(26,309)	(46,444)
Salaries and wages	13	(1,734,271)	(1,725,132)
Other operating expenses	14	(730,943)	(647,903)
Other gains and losses	15	(755,762)	(339,019)
Total operating expenses		**(3,352,833)**	**(2,881,441)**
Operating result before impairment of loan portfolio and financial guarantee contracts		**899,727**	**1,272,906**
Impairment of Funded Loan portfolio	11	(96,947)	(202,725)
Impairment of Guaranteed Loan portfolio	11	(92,764)	(2,330)
Impairment of Partners	11	(109,686)	(253,291)
Operating result		**600,330**	**814,560**
Other finance income	16	49,270	12,814
Other finance expenses	17	(44,569)	(306,202)
Interest costs		(548,470)	(311,269)
Foreign exchange results	18	(56,561)	(209,903)
Total of finance income and finance costs		**(600,330)**	**(814,560)**
Result before taxation		**-**	**-**
Income tax expense		-	-
Result for the year	19	**-**	**-**
Other Comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**-**	**-**

Statement of Changes in Equity for the year ended 31 December 2018

(USD)	Note	Capital Accounts	Retained earnings	Result for the year	Total
Balance as at 1 January 2017	6	**-**	**318,215**	**-**	**318,215**
Result for the year		-	-	-	**-**
Allocation of result to retained earnings		-	-	-	-
Balance as at 31 December 2017	**6**	**-**	**318,215**	**-**	**318.215**
Result for the year		-	-	-	**-**
Allocation of result to retained earnings		-	-	-	-
BALANCE AS AT 31 DECEMBER 2018	**6**	**-**	**318,215**	**-**	**318.215**

Statement of Cash Flows for the year ended 31 December 2018

(USD)	Note	2018	2017
Cash flows from operating activities			
Result for the year	19	-	-
Adjustments for:			
Finance costs recognized		548,470	311,268
Other finance income		(49,270)	-
Fair Value change investment		-	3,327
FX result		50,563	43,468
Depreciation		1,921	1,120
Deferred Income Realized	8	(2,675,035)	(3,151,402)
Movements in working capital			
- (increase)/decrease in Loan Portfolio		(1,838,713)	(2,945,979)
- (increase)/decrease in Current Portion of Loan Portfolio		(1,313,336)	(891,371)
- (increase)/decrease in Deposits for Guaranteed Portfolio		(999,537)	359,012
- (increase)/decrease in Receivables from Partner Banks		79,589	(228,397)
- (increase)/decrease in Other Current Assets		(155,404)	(118,272)
- increase/(decrease) in TA Projects		(300,668)	237,571
- increase/(decrease) in Trade Creditors		(124,693)	(88,384)
- increase/(decrease) in Social Security and Taxes		10,549	1,315
- increase/(decrease) in Other Current Liabilities		175,259	425,629
CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(6,590,304)**	**(6,041,095)**
Interest received		23,105	24,831
Interest paid		(481,066)	(252,455)
NET CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(7,048,265)**	**(6,268,719)**
Cash flows from investing activities			
Proceeds from investment		502,021	(16,805)
Investment in fixed deposits		(3,750,000)	-
NET CASH GENERATED BY / (USED IN) INVESTING ACTIVITIES		**(3,247,979)**	**(16,805)**
Cash flows from financing activities			
Grants Received	8	2,726,231	2,786,513
Borrowings drawn down		4,000,000	5,048,035
NET CASH GENERATED FROM FINANCING ACTIVITIES		**6,726,231**	**7,834,549**
Net increase / (decrease) in cash and cash equivalents		**(3,570,013)**	**1,549,025**
Changes in FX on cash balances		(103,858)	(43,468)
Cash and cash equivalents as at January 1	5	9,023,217	7,517,660
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	**5**	**5,349,346**	**9,023,217**

Notes to the financial statements for the year ended 31 December 2018

General information

Foundation

"Stichting Medical Credit Fund", with its registered address at AHTC, Tower C4, Paasheuvelweg 25, 1105 BP Amsterdam, the Netherlands, hereinafter "MCF" or "the Fund", was founded on 13 July 2009 as a Stichting (not-for-profit organization) in accordance with Dutch law.

Objectives

MCF was established in 2009 as the first fund in the world to provide a financing mechanism to private health care providers, such as clinics, hospitals, laboratories and pharmacies, in Africa.

The Fund aims to reduce the unknown risks of investing in primary healthcare, leading to increased transparency and trust so that the lower end of the health market becomes financeable and scalable. The Fund offers loans through local financial institutions to private primary healthcare providers serving low-income MCFs, combined with internationally certified clinical and business performance programs. The loans and Technical Assistance (TA) will be used to improve the quality of the health clinics, which will lead to expanded and improved healthcare services for more people.

Summary of significant accounting principles

General

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

Basis of presentation

These financial statements are prepared in accordance with IFRS as adopted by the EU under the historical cost convention as modified by the revaluation of financial liabilities (including derivative instruments) at fair value through statement of comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying MCF's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the summary of significant accounting policies.

Application of new and revised IFRSs

MCF applied all new and amended standards and interpretations applicable to the year under review, as determined by the IASB, which took effect for the period commencing on 1 January 2018.

Effect of new financial reporting standards

- MCF early adopted IFRS 9 Financial Instruments in full and adopted all relevant standards, amendments or interpretations in 2016.
- IFRS 15 Revenue from Contracts with Customers became effective from 1 January 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11

Construction Contracts and IFRIC 13 Customer Loyalty Programmes. The scope of IFRS 15 excludes financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments. IFRS 15 has had no impact on the financial statements.

Financial reporting standards not yet adopted

MCF is in the process of assessing the impact of the accounting standards that are issued but not yet effective. All applicable standards will be adopted in the financial statements in the period in which they become effective. The following standards and amendments are effective for annual reports beginning on or after 1 January 2019 and have not been early adopted by MCF:

- IFRS 16 Leases (effective 1 January 2019). This standard replaces the existing guidance in IAS 17 Leases and several interpretations (IFRIC 14, SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. MCF has assessed that IFRS 16 will have no impact on its financial statements.

The following amendments are considered to have minimal or no impact on the financial statements:

- Amendments to IAS 19 Employee Benefits (effective 1 January 2019);
- Amendments to IAS 28 Investments in Associates and Joint Ventures (effective 1 January 2019).

Foreign currencies

The financial statements been drawn up in US dollars, which is the functional currency of MCF and the presentation currency for the financial statements. Assets and liabilities denominated in foreign currencies are translated at the official rates of exchange prevailing on the statement of financial position date. Income and expenditure denominated in foreign currencies are converted at the rates of exchange prevailing on the transaction date.

Exchange rate differences due to exchange rate fluctuations between the transaction date and the settlement date or statement of financial position date are taken to the statement of comprehensive income.

Translation differences on the net investments in foreign subsidiaries and the related long-term financing are added or charged directly to the capital of MCF through other comprehensive income.

The exchange rates used are as follows:

	2018	2017
TZS/USD closing rate	2,294.20	2,229.10
TZS/USD average rate	2,266.27	2,202.60
KES/USD closing rate	101.27	102.29
KES/USD average rate	100.51	101.85
GHC/USD closing rate	4.84	4.52
GHC/USD average rate	4.65	4.34
NGN/USD closing rate	362.79	356.40
NGN/USD average rate	359.22	327.58
UGX/USD closing rate	3,693.15	3,611.00
UGX/USD average rate	3,716.61	3,577.50
EUR/USD closing rate	0.87	0.83
EUR/USD average rate	0.85	0.89

Critical accounting judgments and key sources of estimation

In the process of applying MCF's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

MCF's management has made an assessment of MCF's ability to continue as a going concern and is satisfied that MCF has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon MCF's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities 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 inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates and default rate assumptions.

Impairment losses on loans

MCF reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, MCF makes judgments about the credit quality, levels of arrears and borrower's financial situation. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Financial instruments

Impact of application of IFRS 9 Financial Instruments

MCF early applied IFRS 9 in full during 2016 in advance of its effective date, and therefore all comparative information as presented in these financial statements is already in accordance with IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss (FVTPL).

All of MCF's financial assets have been classified as debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost. Debt instruments that are subsequently measured at amortised cost are subject to impairment.

MCF has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires MCF to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires MCF to recognise a loss allowance for expected credit losses on i) debt investments subsequently measured at amortised cost, and ii) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires MCF to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), MCF is required to measure the loss allowance for that financial instrument at an amount equal to the 12-months ECL.

The application of IFRS 9 has had no impact on the classification and measurement of the financial liabilities.

IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Financial assets and financial liabilities are recognised when a MCF entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Classification of financial assets
Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period,to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Financial assets at FVTPL
Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically:

Debt instruments that do not meet the amortised cost criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. MCF has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Impairment of financial assets
MCF recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost as well as on loan commitments and financial guarantee contracts. MCF has applied a simplified approach for measuring expected credit losses combining the PD, LGD, and EAD into a combined loan loss rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

MCF always recognises lifetime ECL for trade receivables, amounts due from loan portfolio and receivables from banks. The expected credit losses on these financial assets are estimated using a provision matrix based on MCF's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, MCF recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, MCF measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, MCF compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, MCF considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, MCF presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless MCF has reasonable and supportable information that demonstrates otherwise.

MCF regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default
MCF considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including MCF, in full (without taking into account any collaterals held by MCF).

Irrespective of the above analysis, MCF considers that default has occurred when a financial asset is more than 90 days past due unless MCF has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, MCF's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to MCF in accordance with the contract and all the cash flows that MCF expects to receive, discounted at the original effective interest rate.

MCF's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts by more than 30-days.	12m ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and MCF has no realistic prospect of recovery.	Amount is written off

2017 (USD)	Not past due secured	Not past due unsecured	31-60	61-90	91-180	>180	Total
31 December 2017							
Expected credit loss rate	1.5%	3.0%	20.0%	35.0%	50.0%	100,0%	-
Estimated total gross carrying amount at default	7,131,590	335,977	83,516	99,455	46,681	273,810	7,971,032
LIFETIME EXPECTED CREDIT LOSS	**(106,974)**	**(10,079)**	**(16,703)**	**(34,809)**	**(23,341)**	**(273,810)**	**(465,716)**

2018 (USD)	Not past due secured	Not past due unsecured	31-60	61-90	91-180	>180	Total
31 December 2018							
Expected credit loss rate	1.5%	3.0%	20.0%	35.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	9,715,311	1,079,826	278,289	307,345	33,765	301,873	11,716,409
LIFETIME EXPECTED CREDIT LOSS	**(145,730)**	**(32,395)**	**(55,658)**	**(107,571)**	**(16,882)**	**(301,873)**	**(660,109)**

Lifetime expected credit losses exclude impairments on partner banks.

Financial liabilities and equity instruments

Classification as debt or equity

Debt instruments issued by MCF are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are not issued by MCF.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

MCF derecognises financial liabilities when, and only when, MCF's obligations are discharged, cancelled or when they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

MCF enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. MCF has three non-deliverable forward contracts and six cross currency interest rate swaps contracts on Kenyan Shilling outstanding. In addition MCF has one cross currency interest rate swap contract on Ghanian Cedi. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Cash and cash equivalents

For the purpose of the preparation of the statement of cash flows, cash and cash equivalents comprise of cash on hand, non-restricted current accounts with banks and amounts due from banks on demand.

Deferred income

Deferred income consists of payments and receivables from donors ('grants') related to projects to be carried out and subsequently decreased by the realised income of these projects.

From the date of signing the grant agreement, the grant is disclosed in the off-statement of financial position items. The grant agreement has then the status of 'Contracted'.

Grants are not recognised until there is reasonable assurance that MCF will comply with the conditions attached to the grants, and the grants are actually received. Then, the grant status is 'Received' and recognised as Deferred Income.

Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which MCF recognises as expenses the related costs for which the grants are intended. The deferred income is then transferred to Income Projects in the statement of comprehensive income; the Grant status is then 'Realised'.

Statement of Comprehensive Income

Income and expenditure are recognised as they are earned or incurred and are recorded in the financial statements of the period to which they relate.

Income Projects
Income projects are recognised by reference to stage of progress of the projects and eligible project costs for which grants are received or receivable. The project costs are recognized as they occur; subsequently the Deferred Income is transferred into Income Projects as realised grantsfor which grants are received or receivable. The project costs are recognized as they occur; subsequently the Deferred Income is transferred into Income Projects as realised grants.

Interest income and expense
Interest income and expense are recognised using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Management fees banks
Management fees banks relate to fees payable to banks for services related to the outstanding loan portfolio. Management fees are payable up front and subsequently amortized over the life of the loans they relate to.

Pension costs
The employee pension agreement qualifies as a defined contribution and hence the contribution has directly been expensed through the statement of comprehensive income.

SPECIFIC ITEMS OF THE STATEMENT OF FINANCIAL POSITION

1 LOAN PORTFOLIO

1.1 Loan Portfolio and Guarantee Agreements
MCF has three types of agreements with its partner banks: a Funding Agreement, a Co-Financing Agreement, and a Guarantee Agreement. Under a Funding Agreement and Co-Financing Agreement, the MCF (partially) funds the loan and shares in the risk and interest income over the funded portion. Under a Guarantee Agreement, MCF provides a credit guarantee on the loans and – in most cases - backs this by a USD deposit or investment at the partner bank. Under a Guarantee Agreement MCF received a guarantee fee and interest on the deposit account or investment. The outstanding exposures under the Guarantee Agreements are classified as off-balance sheet items or as a liability on the statement of financial position sheet for the part that is classified as ECL or impaired. As according to IFRS, these on-statement of financial position items are not included in the loan portfolio as per the statement of financial position Sheet of MCF.

The table below summarizes MCF's Loan Portfolio at 31 December 2018 and also shows the loans issued to clinics by the banks under the guarantee agreement. The amounts for the Loan Portfolio presented are further specified in the tables following this table.

(USD)	Funding Agreements	Guarantee Agreements	Funding Agreements	Guarantee Agreements
	2018	2018	2017	2017
Total outstanding loans to Clinics	17,190,670	4,423,815	12,915,095	1,736,575
Total outstanding loans Funded Banks	6,643,172	4,423,815	5,147,380	1,736,575
OUTSTANDING LOANS UNDERWRITTEN MCF	**10,547,498**	**-**	**7,767,715**	**-**
Reclassification -transfers to/from banks	292,209	-	158,341	-
LOAN PORTFOLIO MCF BEFORE IMPAIRMENTS	**10,839,707**	**-**	**7,926,056**	**-**
Loan Portfolio MCF - non-current portion	6,741,555	-	5,062,419	-
Loan Portfolio MCF - current portion	4,098,152	-	2,863,637	-
Impairments - non-current portion	(188,611)	-	(348,188)	-
Impairments - current portion	(432,284)	-	(511,105)	-
LOAN PORTFOLIO MCF AS PER STATEMENT OF FINANCIAL POSITION	**10,218,812**	**-**	**7,066,763**	**-**
Loan Portfolio MCF - non-current portion	6,552,944	-	4,714,231	-
Loan Portfolio MCF - current portion	3,665,868	-	2,352,532	-

Outstanding Loans Underwritten MCF
This represents all loans that contractually are to be funded by MCF. The total outstanding loans to clinics are the outstanding loans actually funded by MCF and Partner Banks, combined.

Loan Portfolio MCF
The Loan Portfolio of MCF is defined as the sum of all cash transactions between MCF and the partner banks. Exposure to the loan portfolio is only increased (diminished) when backed by an effectuated cash transfer from MCF to its partner bank (and vice versa). The reclassification represents the difference between the contractual obligation of both parties on payments to be made on the outstanding principal and the actual effectuated cash transfers.

1.2 Loan Portfolio as per statement of financial position

The tables below show the roll forward of the Loan Portfolio outstanding as per statement of financial position, before taking into account impairments:

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans						
Balance as at 1 January 2017	144,000	3,107,574	434,913	-	-	3,686,487
Cash funding to partner banks on loans underwritten	13,459	5,359,361	1,789,726	-	-	7,162,546
Payments on instalments received from partner bank	(46,944)	(1,523,919)	(1,190,010)	-	-	(2,760,873)
Loans Written Off	-	(73,666)	(2,395)	-	-	(76,061)
Exchange rate result	(6,932)	(51,647)	(27,464)	-	-	(86,043)
BALANCE AS AT 31 DECEMBER 2017	**103,583**	**6,817,703**	**1,004,770**	**-**	**-**	**7,926,056**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans						
Balance as at 1 January 2018	103,583	6,817,703	1,004,770	-	-	7,926,056
Cash funding to partner banks on loans underwritten	-	5,131,796	1,855,251	458,992	768,978	8,215,017
Payments on instalments received from partner bank	(69,036)	(3,781,388)	(1,306,538)	-	(146,435)	(5,303,397)
Loans Written Off	-	-	-	-	-	-
Exchange rate result	(981)	68,466	(65,473)	19	-	2,031
BALANCE AS AT 31 DECEMBER 2018	**33,566**	**8,236,577**	**1,488,010**	**459,011**	**622,543**	**10,839,707**

The tables below show the split of the Loan Portfolio into current and non-current portions, before taking into account loan loss provisioning:

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Portfolio before impairments 2017						
Non-Current portion	155	5,062,264	-	-	-	5,062,419
Current portion	103,428	1,755,439	1,004,770	-	-	2,863,637
BALANCE AS AT 31 DECEMBER 2017	**103,583**	**6,817,703**	**1,004,770**	**-**	**-**	**7,926,056**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Portfolio before impairments 2018						
Non-Current portion	1,387	5,177,992	857,079	385,259	319,838	6,741,555
Current portion	32,179	3,058,585	630,931	73,752	302,705	4,098,152
BALANCE AS AT 31 DECEMBER 2018	**33,566**	**8,236,577**	**1,488,010**	**459,011**	**622,543**	**10,839,707**

1.3 Loan Portfolio including impairments as per statement of financial position

The tables below show the split of the Loan Portfolio into current and non-current portions, after taking into account loan loss provisioning:

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Current Portion of Loan Portfolio on statement of financial position after impairments 2017						
Loan portfolio current portion	103,428	1,755,439	1,004,770	-	-	2,863,637
Impairments	(2,262)	(428,729)	(80,114)	-	-	(511,105)
BALANCE AS AT 31 DECEMBER 2017	**101,166**	**1,326,710**	**924,656**	**-**	**-**	**2,352,532**

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Non-current Portion of Loan Portfolio on statement of financial position after impairments 2017						
Loan portfolio non-current portion	155	5,062,264	-	-	-	5,062,419
Impairments	(101)	(346,563)	(1,525)	-	-	(348,188)
BALANCE AS AT 31 DECEMBER 2017	**54**	**4,715,701**	**(1,525)**	**-**	**-**	**4,714,231**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Current Portion of Loan Portfolio on statement of financial position after impairments 2018						
Loan portfolio current portion	32,179	3,058,585	630,931	73,752	302,705	4,098,152
Impairments	(2,074)	(286,013)	(139,160)	(1,106)	(3,931)	(432,284)
BALANCE AS AT 31 DECEMBER 2018	**30,105**	**2,772,572**	**491,771**	**72,646**	**298,774**	**3,665,868**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Non-current Portion of Loan Portfolio on statement of financial position after impairments 2018						
Loan portfolio non-current portion	1,387	5,177,992	857,079	385,259	319,838	6,741,555
Impairments	(8,794)	(144,643)	(25,008)	(5,205)	(4,961)	(188,611)
BALANCE AS AT 31 DECEMBER 2018	**(7,407)**	**5,033,349**	**832,071**	**380,054**	**314,877**	**6,552,944**

1.4 Loan Portfolio excluding impairments as per partner banks

The tables below show the Loan portfolio and receivables on principal payments from partner banks:

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan portfolio underwritten	34,548	7,069,311	663,856	-	-	7,767,715
Payables/receivables from banks related to principal	69,034	(251,608)	340,914	-	-	158,341
BALANCE AS AT 31 DECEMBER 2017	**103,582**	**6,817,703**	**1,004,770**	**-**	**-**	**7,926,056**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan portfolio underwritten	37,292	7,892,969	1,576,298	459,011	581,928	10,547,498
Payables/receivables from banks related to principal	(3,726)	343,608	(88,288)	-	40,615	292,209
BALANCE AS AT 31 DECEMBER 2018	**33,566**	**8,236,577**	**1,488,010**	**459,011**	**622,543**	**10,839,707**

By end-of-year 2018, MCF had 376 active loans underwritten on its book: 4 in Tanzania, 274 in Kenya, 93 in Ghana, 4 in Uganda, and 1 in Nigeria. At end-of-year 2017, MCF had 257 active loans underwritten on its book: 8 in Tanzania, 139 in Kenya, 110 in Ghana and 0 in Nigeria.

1.5 Loan Portfolio underwritten to partner banks

The tables below show the roll forward of the total loans underwritten:

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans underwritten						
Outstanding as at 1 January 2017	131,244	4,024,419	433,763	-	-	4,589,426
Exchange rate result on loan	(6,318)	(66,885)	(25,413)	-	-	(98,616)
Disbursed to clinics	13,459	5,100,303	1,693,327	-	-	6,807,089
Instalments from clinics	(105,431)	(1,955,665)	(1,435,426)	-	-	(3,496,522)
Loans written off	1,594	(32,861)	(2,395)	-	-	(33,662)
OUTSTANDING AS AT 31 DECEMBER 2017	**34,548**	**7,069,311**	**663,856**	**-**	**-**	**7,767,715**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Total Loans underwritten						
Outstanding as at 1 January 2018	34,548	7,069,311	663,856	-	-	7,767,715
Exchange rate result on loan	(981)	70,992	(43,259)	19	-	26,771
Disbursed to clinics	46,786	4,942,758	2,009,621	458,992	881,347	8,339,504
Instalments from clinics	(43,061)	(4,190,092)	(1,053,920)	-	(299,419)	(5,586,492)
Loans written off	-	-	-	-	-	-
OUTSTANDING AS AT 31 DECEMBER 2018	**37,292**	**7,892,969**	**1,576,298**	**459,011**	**581,928**	**10,547,498**

1.6 Loan Portfolio excluding impairments maturity per statement of financial position

The tables below show the maturity of the Loan portfolio outstanding, before taking into account loan loss provisioning:

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Maturity						
Outstanding loans < 1 year	103,428	1,755,439	1,004,770	-	-	2,863,637
Outstanding loans 1 – 5 year	155	5,062,264	-	-	-	5,062,419
Outstanding loans > 5 year	-	-	-	-	-	-
OUTSTANDING AS AT 31 DECEMBER 2017	**103,583**	**6,817,703**	**1,004,770**	**-**	**-**	**7,926,056**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Loan Maturity						
Outstanding loans < 1 year	32,179	3,058,585	630,931	459,011	302,705	4,483,411
Outstanding loans 1 – 5 year	1,387	4,920,271	857,079	-	319,838	6,098,575
Outstanding loans > 5 year	-	257,721	-	-	-	257,721
OUTSTANDING AS AT 31 DECEMBER 2018	**33,566**	**8,236,577**	**1,488,010**	**459,011**	**622,543**	**10,839,707**

The tables below show the split between the types of loans the Loans Underwritten by the partner banks:

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Underwritten Loans per Loan Type as per 31 December 2017						
Entry Loans	-	-	-	-	-	-
Small Loans	4,866	100,287	15,329	-	-	120,482
Medium Loans	20,407	535,158	49,222	-	-	604,787
Large Loans	9,275	2,214,878	143,790	-	-	2,367,943
Extra Large Loans	-	4,133,393	-	-	-	4,133,393
Cash Advance Loans	-	85,595	-	-	-	85,595
Receivable Finance Loans	-	-	455,515	-	-	455,515
TOTAL UNDERWRITTEN AS AT 31 DECEMBER 2017	**34,548**	**7,069,311**	**663,856**	**-**	**-**	**7,767,715**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Total
Underwritten Loans per Loan Type as per 31 December 2018						
Entry Loans	-	-	-	-	-	-
Small Loans	3,093	107,348	101,528	-	-	211,969
Medium Loans	34,199	549,529	173,459	-	-	757,187
Large Loans	-	2,198,452	112,037	-	162,462	2,472,951
Extra Large Loans	-	4,578,349	1,048,794	459,011	419,466	6,505,620
Cash Advance Loans	-	459,291	-	-	-	459,291
Receivable Finance Loans	-	-	140,480	-	-	140,480
TOTAL UNDERWRITTEN AS AT 31 DECEMBER 2018	**37,292**	**7,892,969**	**1,576,298**	**459,011**	**581,928**	**10,547,498**

Entry Loans are loans with amounts up to USD 5,000 or the local currency equivalent and have a term of 6-months. Small Loans have a maximum loan size of the local currency equivalent of USD 15,000 and a maximum term of three years. Medium loans have a loan amount range between the local currency equivalent of USD 15,000 and USD 50,000 and a maximum term of five years. Large Loans refer to loan sizes between USD 50,000 and USD 200,000 with a five-year term. Extra Large Loans have loan sizes over USD 200,000 and tenures up to ten years. The Medium, Large and Extra Large Loans are secured by tangible collaterals, like land, property, and marketable fixed assets. As of 31 December 2018, 77 Large or Extra Large Loans with an original disbursed amount larger than USD 50,000 were outstanding (45 in Kenya, 10 in Ghana, 11 in Nigeria, 5 in Tanzania, 5 in Uganda, and 1 in Liberia).

Besides the loan categories based on loan size and tenure, under the MCF program the loan categories Receivable Finance Loan and Cash Advance Loan are also being offered.

The Receivable Finance Loan has been introduced in Ghana in 2015, and aims to cushion the impact of the delayed and irregular payments under the National Health Insurance Scheme (NHIS). The Receivable Finance Loans are issued on the basis of approved claims and are to be repaid through the payments under the NHIS. MCF and its partner bank, however, remain to have full recourse to clinics if the payments under the NHIS are for whatever reason not received.

The Cash Advance Loan has been introduced in Kenya in 2016. This product has been developed in partnership with CarePay, a mobile exchange platform company that enables payment to healthcare facilities through mobile phones, using the M-Pesa mobile payment system. The Cash Advance Loan is a short term loan product that capitalizes on temporary working capital needs with tenure of less than 6 months, where repayments are automatically deducted from the incoming cash flow running over the mobile payment system.

1.7 Financial Guarantee Contracts

Over 2018, MCF impairments on the Financial Guarantee contracts increased by USD 50,255 to USD 146,196. The increase has been recognized as a cost in the Statement of Comprehensive Income and the total impaired amount has been classified as a Liability under the item Financial Guarantee Contracts on the Statement of financial position . The outstanding Financial Guarantees for which no impairments have been made are off-balance sheet items and discussed further in that applicable Note.

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Financial Guarantee Contracts on Balance as at 31 December 2017							
Total Loans outstanding guaranteed	283,504	-	104,421	1,090,836	244,600	13,213	1,736,574
Total Exposure on Loans outstanding guaranteed	141,752	-	70,391	749,061	146,760	6,607	1,114,571
Of which contingent liabilities	133,609	-	55,730	726,125	144,558	4,294	1,064,316
Of which on balance as Financial Guarantee Contracts	8,143	-	14,661	22,937	2,202	2,312	50,255
Guarantees received from Partner Banks on MCF funded Loans	-	(911,255)	-	-	-	-	(911,255)

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Financial Guarantee Contracts on Balance as at 31 December 2018							
Total Loans outstanding guaranteed	1,065,041	-	53,291	1,345,602	195,680	1,764,201	4,423,815
Total Exposure on Loans outstanding guaranteed	532,521	-	33,660	924,315	117,408	882,100	2,490,004
Of which contingent liabilities	452,859	-	12,467	899,906	115,646	862,929	2,343,807
Of which on balance as Financial Guarantee Contracts	79,662	-	21,192	24,409	1,762	19,171	146,196
Guarantees received from Partner Banks on MCF funded Loans	-	(1,282,831)	-	-	-	-	(1,282,831)

1.8 Risk on Loans

The key risks MCF is exposed to are credit risk, currency risk, and liquidity risk.

1.8.1 Credit risk

The Medical Credit Fund has a direct exposure to repayment risk of the loans disbursed to the healthcare providers in the program. The Medical Credit Fund shares part of this repayment risk with its partner banks. The loans are subject to a dual underwriting and appraisal procedure and monitoring process, as the banks as well as the Medical Credit Fund use their own underwriting procedure.

The partner banks participate in the credit risk of between 20% and 25% for Small and Medium Loans and 50% for Mature Loans, but they do not participate in the credit risk on Entry Loans. This leads to the following credit risk exposure on MCF's Loans Underwritten and Financial Guarantee Contracts (after impairments). For Receivable Finance Loans, MCF is participating for 70% in the credit risk.

The Entry and Small Loans are secured by light collateral such as personal guarantees, and chattel mortgages. Medium and Mature Loans are secured by strong collateral, such as land, property, and marketable assets. The Receivable Finance Loans are covered by more than 125% worth of NHIS approved claims. The Cash Advance Loans are being secured by the revenues that are running over the CarePay platform and benefit from personal guarantees.

The Medical Credit Fund also has received Credit Risk Guarantees from one of its partner banks. It provides 100% of the funding and receives a 50% credit guarantee on the total funded amount.

Furthermore, the Medical Credit Fund runs a credit risk on its partner banks as the proceeds from the Loans are being collected by the partner banks.

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure as at 31 December 2017							
Loans Underwritten	34,548	7,069,311	663,856	-	-	-	7,767,715
Received Guarantees	-	(911,255)	-	-	-	-	(911,255)
Financial Guarantee Contracts	141,752	-	70,391	749,061	146,760	6,607	1,114,571
TOTAL EXPOSURE	**176,300**	**6,158,056**	**734,247**	**749,061**	**146,760**	**6,607**	**7,971,031**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure as at 31 December 2018							
Loans Underwritten	37,292	7,892,969	1,576,298	459,011	-	581,928	10,547,498
Received Guarantees	-	(1,282,831)	-	-	-	-	(1,282,831)
Financial Guarantee Contracts	532,521	-	33,660	924,315	117,408	882,100	2,490,004
TOTAL EXPOSURE	**569,813**	**6,610,138**	**1,609,958**	**1,383,326**	**117,408**	**1,464,028**	**11,754,671**

The following tables provide an overview of the risk profile of the Loans before impairments.

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure on Loans not past due more than 30 days	155,134	5,782,723	653,372	729,578	146,760	-	7,467,567
Exposure on Loans past due more than 30 days until 90 days	12,181	110,689	40,740	12,755	-	6,607	182,972
Exposure on Loans past due more than 90 days until 180 days	7,427	31,012	8,243	-	-	-	46,682
Exposure on Loans past due more than 180 days	1,558	233,632	31,892	6,728	-	-	273,810
EXPOSURE AS AT 31 DECEMBER 2017	**176,300**	**6,158,056**	**734,247**	**749,061**	**146,760**	**6,607**	**7,971,031**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Liberia	Uganda	Total
Exposure on Loans not past due more than 30 days	445,379	6,134,183	1,315,555	1,362,875	117,408	1,457,998	**10,833,398**
Exposure on Loans past due more than 30 days until 90 days	67,370	269,543	232,403	16,318	-	-	**585,634**
Exposure on Loans past due more than 90 days until 180 days	-	8,446	23,153	2,619	-	-	**34,218**
Exposure on Loans past due more than 180 days	57,064	197,966	38,847	1,514	-	6,030	**301,421**
EXPOSURE AS AT 31 DECEMBER 2018	**569,813**	**6,610,138**	**1,609,958**	**1,383,326**	**117,408**	**1,464,028**	**11,754,671**

All loans outstanding are unquoted as are the underlying counter parties.

1.8.2 Currency risk

The foreign currency risk is monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its currency risk exposure, whereby an individual FX exposure on the outstanding loan portfolio above USD 1,250,000 is hedged, using a forward or cross currency swap instrument of the local currency against the dollar.

Exchange rate exposure on financial assets and financial liabilities, all loans plus cash positions and borrowings:

2017	TZS	KES	GHC	NGN	UGX	EUR	Total
Currency Exposure							
Funded Loans	103,582	6,817,704	1,004,770	-	-	-	7,926,056
Impaired Amounts	(10,504)	(775,292)	(96,300)	(22,936)	(2,312)	(2,202)	(909,546)
Deposits	-	-	-	-	-	19,240	19,240
Cash	31,504	366,246	95,459	20,949	-	2,673,821	3,187,979
Receivables	3,831	389,789	92,443	23,811	209	-	510,083
Borrowed Funds	-	-	-	-	-	(1,198,035)	(1,198,035)
Derivative Position	-	(5,750,000)	(500,000)	-	-	-	(6,250,000)
EXPOSURE AS AT 31 DECEMBER 2017	**128,413**	**1,048,447**	**596,372**	**21,824**	**(2,103)**	**1,492,824**	**3,285,777**

2018	TZS	KES	GHC	NGN	UGX	EUR	Total
Currency Exposure							
Funded Loans	33,566	8,236,577	1,488,010	459,011	203,077	-	10,420,241
Impaired Amounts	(90,530)	(430,656)	(185,360)	(30,720)	(15,184)	-	(752,450)
Deposits	-	52,095	-	-	-	19,240	71,335
Cash	115,895	312,961	131,027	33,975	5,536	1,404,066	2,003,460
Receivables	6,760	460,476	136,792	65,717	11,166	-	680,911
Borrowed Funds	-	-	-	-	-	(1,144,741)	(1,144,741)
Derivative Position	-	(7,500,000)	(1,000,000)	-	-	-	(8,500,000)
EXPOSURE AS AT 31 DECEMBER 2018	**65,691**	**1,131,453**	**570,469**	**527,983**	**204,595**	**278,565**	**2,778,756**

The analysis below calculates the effect of a substantial movement of the foreign currency rate against the USD, with all other variables held constant, on the statement of income and expenditure and the statement of financial position. The functional currency for MCF is the US dollar.

2017	TZS	KES	GHC	NGN	UGX	EUR	Total
Currency Exposure							
Funded Loans	(20,716)	(1,363,541)	(200,954)	-	-	-	(1,585,211)
Impaired Amounts	2,101	155,058	19,260	4,587	462	440	181,908
Deposits	-	-	-	-	-	(3,848)	(3,848)
Cash	(6,301)	(73,249)	(19,092)	(4,190)	-	(534,764)	(637,596)
Receivables	(766)	(77,958)	(18,489)	(4,762)	(42)	-	(102,017)
Borrowed Funds	-	-	-	-	-	239,607	239,607
Derivative Position	-	1,150,000	100,000	-	-	-	1,250,000
EXPOSURE AS AT 31 DECEMBER 2017	**(25,682)**	**(209,690)**	**(119,275)**	**(4,365)**	**420**	**(298,565)**	**(657,157)**

2018	TZS	KES	GHC	NGN	UGX	EUR	Total
Currency Exposure							
Funded Loans	(6,713)	(1,647,315)	(297,602)	(91,802)	(40,615)	-	(2,084,047)
Impaired Amounts	18,106	86,131	37,072	6,144	3,037	-	150,490
Deposits	-	(10,419)	-	-	-	(3,848)	(14,267)
Cash	(23,179)	(62,592)	(26,205)	(6,795)	(1,107)	(280,813)	(400,691)
Receivables	(1,352)	(92,095)	(27,358)	(13,143)	(2,233)	-	(136,181)
Borrowed Funds	-	-	-	-	-	228,948	228,948
Derivative Position	-	1,500,000	200,000	-	-	-	1,700,000
EXPOSURE AS AT 31 DECEMBER 2018	**(13,138)**	**(226,290)**	**(114,093)**	**(105,596)**	**(40,918)**	**(55,713)**	**(555,748)**

A 20% appreciation of the currencies leads to exactly the same effect, but of an opposite nature in both tables; negatives become positives and vice versa.

1.8.3 Liquidity risk

The liquidity risk is monitored on a regular basis in Asset Liability Management (ALM) meetings. The Medical Credit Fund has introduced guidelines for its cash positions for both local accounts and cash positions at head office.

Liquidity exposure further results from the cash flows from Borrowings and Financial Guarantee Contracts. We refer to note 7 for the maturity tables of non-derivative financial liabilities, and to note 1.7 for the Financial Guarantee Contracts.

1.8.4 Interest rate risk

On the asset side MCF's interest rate risk is fairly limited as interest rates on its loan portfolio are fixed over the term of the loan. Any change in market interest rate, therefore has no effect on MCF's interest income of current outstanding loan portfolio at year end (i.e loans already disbursed). MCF's cash balances and deposits are earning a modest interest return and as a result changes in interest rate are not likely to have a substantial effect on MCF's final result.

On the liability side, the major part of MCF's borrowings as per 31-12-2018, are fixed (92% of total) and therefore not substantially impacted by interest rate changes in the market. The interest rate fluctuations and its effect on MCF's interest position are monitored in MCF's ALM meetings on a regular basis.

2 PROVISIONING ON LOAN PORTFOLIO

2.1 Loan loss provisions on Loan Portfolio

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2017	34,762	233,933	23,663	-	-	-	292,358
Additions to provisions	(30,727)	156,753	6,200				132,226
Write-offs	-	-	4,253				4,253
Exchange rate result	(1,674)	(3,888)	(1,494)				(7,056)
BALANCE AS AT 31 DECEMBER 2017	**2,361**	**386,798**	**32,622**	**-**	**-**	**-**	**421,781**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2018	2,361	386,798	32,622	-	-	-	421,781
Additions to provisions	8,574	(33,542)	100,205	6,311	8,892	-	90,440
Write-offs	-	-	-	-	-	-	-
Exchange rate result	(67)	3,884	(2,126)	-	-	-	1,691
BALANCE AS AT 31 DECEMBER 2018	**10,868**	**357,140**	**130,701**	**6,311**	**8,892**	**-**	**513,912**

The additions to provisioning for 2017 and 2018 are excluding Chase and UniBank provisioning as reflected in note 2.3.

2.2 Financial Guarantee Contracts liabilities for partner bank loans guaranteed

2017 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2017	1,638	-	14,502	18,182	-	2,201	36,523
Additions to liabilities	6,583	-	1,075	8,579	**2,312**	1	18,550
Paid Guarantees	-	-	-	(1,103)	-	-	(1,103)
Exchange rate result	(78)	-	(916)	(2,721)	-	-	(3,715)
BALANCE AS AT 31 DECEMBER 2017	**8,143**	**-**	**14,661**	**22,937**	**2,312**	**2,202**	**50,255**

2018 (USD)	Tanzania	Kenya	Ghana	Nigeria	Uganda	Liberia	Total
Balance as at 1 January 2018	8,143	-	14,661	22,937	2,312	2,202	50,255
Additions to liabilities	71,750	-	7,486	1,876	16,909	(440)	97,581
Paid Guarantees	-	-	-	-	-	-	-
Exchange rate result	(231)	-	(955)	(404)	(50)	-	(1,640)
BALANCE AS AT 31 DECEMBER 2018	**79,662**	**-**	**21,192**	**24,409**	**19,171**	**1,762**	**146,196**

2.3 Provisions on partner banks

In April 2016, MCF's partner bank Chase Bank was placed under receivership by the Central Bank of Kenya. As a result, the Medical Credit Fund provided for its exposure to Chase Bank in 2016 and 2017. A formal agreement was reached between SBM Kenya and Chase Bank for the acquisition of certain assets and assumption of certain deposits and was concluded on 17th August 2018, after approval by the regulatory authorities - Central Bank of Kenya and Kenya Deposit Insurance Corporation (KDIC).

The agreement provided that 75% of MCF cash deposits, the outstanding loan portfolio, as well as all related assets and liabilitites transferred from Chase Bank to SBM Kenya. The remaining 25% of MCF cash deposits remains in under moratorium under KDIC management.

MCF Management has therefore taken the decision to release the majority of the provision on Chase Bank as we no longer expect significant losses on our exposure of transferred assets to SMB Kenya whilst we have written-off any remaining cash deposits still under moratorium. MCF Management will still pursue all legal options to recover deposits still under moratorium which amount to USD 60,692.

In March 2018, the Bank of Ghana (BOG) placed Unibank under administration as the capital adequacy ratio (CAR) persistently fell below the regulatory requirements. As a result, the Medical Credit Fund made a provision for its exposure to UniBank in the prior year. During 2018, the BOG subsequently consolidated UniBank with other local banks also under administration into the Consolidated Bank Ghana (CBG) with KMPG as the administrator. Whilst MCF was successfully able to repatriate almost all cash deposits previously with Unibank before the end of 2018, the loan portfolio and settlements on the portfolio remain locked within CBG and we no longer receive any information nor have any oversight over the portfolio. As a result, for 2018 we have decided to increase the provision on our exposure to CBG (formerly UniBank). MCF is receiving legal council and is in the process of engaging KPMG and will lodge a claim against CBG.

(USD)	2018	2017
Impairments on MCF exposure Chase Bank, Kenya		
Exposure	790,454	685,864
Impairment on funded loan portfolio	73,516	388,494
Impairment on current settlement account	40,933	-
Impairment on MCF cash balances	60,692	79,099
TOTAL IMPAIRMENT	**175,141**	**467,593**
Impairments on MCF exposure UniBank Bank, Ghana		
Exposure	547,006	1,273,225
Impairment on funded loan portfolio	33,467	49,017
Impairment on current settlement account	428,439	7,809
Impairment on MCF cash balances	776	3,718
TOTAL IMPAIRMENT	**462,682**	**60,544**
Total provisions on partner banks		
Exposure	1,337,460	1,959,089
Impairment on funded loan portfolio	106,983	437,511
Impairment on current settlement account	469,372	7,809
Impairment on MCF cash balances	61,468	82,817
TOTAL IMPAIRMENT	**637,823**	**528,137**

Provision on partners are based upon multiple possible scenarios which have been probability weighted to calculate the impairment losses.

3 INVESTMENTS

As part of the Guarantee Support Agreement between MCF and FCMB (Nigeria), MCF previously held a Nigerian Government Eurobond investment in an investment account at FCMB. The Eurobond matured on July 2018 and the were proceeds received into our account.

4 DEPOSITS

(USD)	31 December 2018	31 December 2017
Current Deposits		
Deposits Uganda - USD	886,123	-
Deposits Kenya - USD	90,852	-
Deposits Ghana - USD	524,176	516,324
Deposits Nigeria - USD	220,830	206,120
Deposits Amsterdam - USD	3,750,000	-
TOTAL CURRENT DEPOSITS	**5,471,981**	**722,444**
Non-Current Deposits		
Rental deposit - EUR	19,240	19,240
TOTAL NON-CURRENT DEPOSITS	**19,240**	**19,240**

Current deposits consist of short-term fixed deposits all of which mature in the next 12 months. In 2018, we placed excess cash into multiple fixed deposits with ABN AMRO (USD 3,750,000) with maturities ranging from 1 to 3 months. These deposits will be invested in the loan portfolio as required. The remaining current deposits are mainly held with partners to serve as collateral for Guarantee Support Agreements. There are no impairments or indicators of elevated credit risk. In 2018, the interest income on the guarantee deposit accounts amounted to USD 44,750 with an average interest percentage of 2.6%.

5 CASH AND CASH EQUIVALENTS

(USD)	31 December 2018	31 December 2017
ABN-AMRO Euro accounts	1,404,065	2,673,821
ABN-AMRO USD accounts	1,671,803	4,456,302
Bank accounts Tanzania – TZS	115,895	31,504
Bank accounts Tanzania – USD	277	502
Bank accounts Kenya – KES	312,961	366,246
Bank accounts Kenya – USD	749,189	1,098,004
Bank accounts Ghana – GHS	131,027	95,459
Bank accounts Ghana – USD	124,095	268,382
Bank accounts Nigeria – NGN	33,975	20,949
Bank accounts Nigeria – USD	568,752	12,047
Bank accounts Uganda – UGX	5,536	-
Bank accounts Uganda – USD	231,771	-
TOTAL CASH BALANCE	**5,349,346**	**9,023,217**

The balance of the bank accounts in Kenya are after the impaired amounts on MCF's cash exposure at Chase Bank (USD 60,692). The bank accounts in Ghana are after the impaired amounts on MCF's cash exposure of UniBank (USD 776). No other cash balances are impaired as there are no indicators of elevated credit risk.

6 CAPITAL

Capital relates to those amounts that have no restriction regarding the purpose of expenditure, but for the objective of the Stichting. Over 2018, Capital did not change as the result was zero. Capital remains stable at USD 318,215.

These reserves can be solely used for expenses in line with the foundation's principles, which is amongst other, enabling primary health care providers in Africa to access investment capital so they can improve the quality of their services and expand their facility.

7 BORROWINGS

Summary of Borrowings

(i) Cumulative total borrowings attracted by MCF per 31 December 2018 amounts to USD 15,044,741 (31 December 2017: USD 11,098,035).

(ii) USD 13,432,898 on borrowings is considered long term debt.

(iii) Interest bearing borrowings of USD 4,000,000 were drawn in 2018.

(iv) The current weighted effective interest rate on all borrowings is 4.43%. All these loans have a grace period on principal payments of three years.

(v) The Loans are Senior to other debts outstanding.

The table below shows the amounts drawn from the committed debts.

Drawn & Received amounts (USD)	On Balance as of 31 December 2018		
as of 31 December 2018	**Long term**	**Short term**	**Total**
Calvert Foundation	1,612,500	537,500	2,150,000
Private Investor	1,225,000	175,000	1,400,000
Private Investor	1,050,000	150,000	1,200,000
Private Investor	218,750	31,250	250,000
Private Investor	218,750	31,250	250,000
Private Investor	218,750	31,250	250,000
OPIC	1,837,500	262,500	2,100,000
IFC	1,750,000	250,000	2,000,000
CDC	4,300,000	-	4,300,000
AFD	1,001,648	143,093	1,144,741
EIB	-	-	-
TOTAL	**13,432,898**	**1,611,843**	**15,044,741**

The tables below show the amounts committed, without taking into account the amounts drawn thereof:

Committed amounts as of 31 December 2018	USD	Term	Last Repayment Date	First Repayment Date	Interest Rate
Calvert Foundation	5,000,000	Linear	2021	2019	4.75%
Private Investor	3,000,000	Linear	2023	2019	4.94%
Private Investor	2,250,000	Linear	2023	2019	3.60%
Private Investor	500,000	Linear	2023	2019	4.23%
Private Investor	500,000	Linear	2023	2019	4.23%
Private Investor	250,000	Linear	2023	2019	4.23%
OPIC	7,000,000	Linear	2023	2019	3.40%
IFC	4,500,000	Linear	2023	2019	5.16%
CDC	10,000,000	Bullet/Linear	2026	2023	5.25%
AFD	3,434,223	Linear	2023	2019	4.50%*
EIB	5,000,000	Linear	2023	2019	4.34%**
TOTAL	**41,434,223**				

** 1.89% on EUR comparable to 4.50% on USD*
*** 10.84% on KES comparable to 4.34% on USD*

Fair Value of Borrowings	Effective interest rate 2018	Effective interest rate 2017	Carrying Amount 2018	Carrying Amount 2017	Fair Value 2018	Fair Value 2017
Interest Bearing	4.43%	4.01%	15,044,741	11,098,035	15,044,741	**11,098,035**
Non-Interest Bearing			0	0	0	**0**
TOTAL	-	-	**15,044,741**	**11,098,035**	**15,044,741**	**11,098,035**

The interest bearing loans are discounted as per the interest percentage payable on the loans and, as such, are valued at their par value.

Financial ratios and covenants

In the loan agreements with its lender group, MCF has agreed upon various loan covenants. The table below represents the applicable financial covenant ratios as of 31 December 2018 and which are based upon historical financial figures.

	Financial Ratios and Covenants	Score	Threshold	Status
(i)	At all times during which the MCF Credit Risk Exposure meets or exceeds $12,000,000, MCF Credit Risk Exposure to Investments with an outstanding principal amount of $1,500,000 or greater shall not exceed sixty percent (60%) of MCF Credit Risk Exposure allocated to all Investments	n/a	n/a	OK
(ii)	Total Debt to First Loss Capital ratio of not more than 7 to 1	2.6	< 7.0	OK
(iii)	The ratio of Amortizing Debt to the aggregate of First Loss Capital plus all Subordinated Debt plus Back-Ended Debt, so long as the payment is scheduled after the Loan Maturity Date, should not be more than 6 to 1	0.9	< 6.0	OK
(iv)	Current Assets to Current Liabilities ratio of not less than 2 to 1	5.6	> 2.0	OK
(v)	Cash to Debt Service ratio for the then immediately succeeding six (6) consecutive months of not less than 1.25 to 1	14.8	> 1.25	OK
(vi)	Cash on the balance sheet of the Parent Borrower of at least 10% of the Total Assets of the Parent Borrower when measured during the Commitment Period and the greater of $2,000,000 or 7% when measured thereafter; no more than 20% of the Total Assets of the Parent Borrower shall be held by the non-Parent Borrowers	24%	> 10%	OK
(vii)	An aggregate amount of Foreign Exchange Open Positions of not more than 25% of Total Assets	11.4%	< 25%	OK
(viii)	An aggregate amount of Foreign Exchange Open Positions of not more than 50% of First Loss Capital	43.8%	< 50%	OK
(ix)	The total exposure of the Borrowers to any individual unhedged currency position shall not exceed $1,250,000. [Refer Appendix pg 28 for Currency Exposures]	$1,131,453	<$1,250,000	OK
(x)	At all times, the Borrowers' total exposure to an individual unhedged currency position should not exceed $1,250,000	$1,131,453	<$1,250,000	OK
(xi)	The Borrowers on a consolidated basis shall maintain at all times a minimum amount of committed Restricted Grant Capital for Management Costs of at least 1.25 times the amount of the Projected Operating Deficit set forth in the current Fiscal Year annual operating forecast until the Parent Borrower reaches breakeven inclusive of Results after Management Costs	1.37	> 1.25	OK
(xii)	MCF Credit Risk Exposure to Non-Performing Loans, calculated in accordance with the Accounting Standards, and, for avoidance of doubt, excluding trailing twelve month write-offs, does not exceed 7.0% of total MCF Credit Risk Exposures	2.9%	< 7%	OK
(xiii)	MCF Risk Exposure within a single country of not more than seventy percent (70%) of the total MCF Risk Exposure during the Commitment Period, and not more than fifty percent (50%) of the total MCF Risk Exposure thereafter	37.9%	< 70%	OK
(xiv)	MCF Risk Exposure to a single Intermediary of not more than fifty percent (50%) of the total MCF Risk Exposure during the Commitment Period, and not more than twenty percent (20%) of the total MCF Risk Exposure thereafter	20.5%	< 50%	OK
(xv)	MCF Risk Exposure on Investments into an Economic Group of not more than fifty percent (50%) of First Loss Capital	20.6%	< 50%	OK
(xvi)	MCF Credit Risk Exposure to all partially secured and unsecured Investments is at most forty percent (40%) of MCF Credit Risk Exposure	1.2%	< 40%	OK
(xvii)	MCF Credit Risk Exposure to all unsecured Investments is at most fifteen percent (15%) of MCF Credit Risk Exposure	2.2%	< 15%	OK
(xviii)	The weighted average life of the Portfolio is not more than 3.5 years	1.6	< 3.5	OK
IFC - only	An IFC Exposure Ratio of not more than 15% of the Parent Borrower's Total Debt	13%	< 15%	OK

Maturity Tables

The following table details MCF's expected maturity for its financial assets and liabilities. The table has been drawn up and based on the undiscounted contractual maturities of principal payments. The inclusion of information on financial assets is necessary in order to understand MCF's liquidity risk management as the liquidity is managed on a net asset and liability basis.

(USD)

Financial Liabilities	< 1 year	1-5 years	> 5 years
31 December 2017			
Interest Bearing Liabilities	-	7,092,031	4,006,004
Financial Guarantee Contracts	50,255	-	-
Non-Interest Bearing	-	-	-
Derivative financial instruments	122,413	253,448	-
TOTAL	**172,668**	**7,345,479**	**4,006,004**

Financial Liabilities	< 1 year	1-5 years	> 5 years
31 December 2018			
Interest Bearing Liabilities	1,611,843	10,207,898	3,225,000
Financial Guarantee Contracts	146,196	-	-
Non-Interest Bearing	-	-	-
Derivative financial instruments	328,332	190,760	-
TOTAL	**2,086,371**	**10,398,658**	**3,225,000**

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2017			
Outstanding Loans	2,352,532	4,714,231	-
Deposits	722,444	19,240	-
Investments	-	502,021	-
Cash Position	9,023,217	-	-
TOTAL	**12,098,193**	**5,235,492**	**-**

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2018			
Outstanding Loans	3,665,868	6,295,223	257,721
Deposits	5,471,981	19,240	-
Investments	-	-	-
Cash Position	5,349,346	-	-
TOTAL	**14,487,195**	**6,314,463**	**257,721**

Valuation of Financial Instruments

The tables presented below analyse the financial assets and financial liabilities that are measured at fair value by level of fair-value hierarchy as required by IFRS: 13 Fair Value Measurement. The levels of the hierarchy are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2: Valuation techniques using market data that is either directly or indirectly observable. Various factors influence the availability of observable data and these may vary from product to product and change over time.

Level 3: Valuation techniques that include significant inputs that are unobservable. To the extent that a valuation is based on inputs that are not market-observable the determination of the fair value can be more subjective, dependent on the significance of the unobservable inputs to the overall valuation.

(USD) Financial Assets	Carrying value	Fair Value	Level 1	Level 2	Level 3	Meaurement	Key Input
31 December 2018							
Outstanding Loans	10,218,812	*Not possible to determine fair value*				n/a	n/a
Deposits	5,491,221	5,491,221	5,491,221	-	-	Book value	None
Investments	-	-	-	-	-	Qoutes from brokers	Qoutes from brokers
Cash Position	5,349,346	5,349,346	5,349,346	-	-	Book value	None
TOTAL	**21,059,379**						

Financial Liabilities	Carrying value	Fair Value	Level 1	Level 2	Level 3	Meaurement	Key Input
31 December 2018							
Interest Bearing Liabilities	15,044,741	*Not possible to determine fair value*				n/a	n/a
Financial Guarantee Contracts	146,196	146,196	-	-	146,196	Discounted cash flow	Credit risk of counterparty
Non-Interest Bearing	-	-	-	-	-	Discounted cash flow	Credit risk of counterparty
Derivative financial instruments	519,092	519,092	-	519,092	-	Discounted cash flow	Discount rate
TOTAL	**15,710,029**						

The outstanding loans are not actively traded and it is therefore not possible to determine the fair value of these loans using observable market prices and market inputs. Due to the unique characteristics of the loans portfolio and the fact that there have been no recent transactions involving the disposals of such loans, there is no basis to determine a price that could be negotiated between market participants in an orderly transaction. The group is not currently in the position of a forced sale of such underlying loans and it would therefore be inappropriate to value the loans and advances on a forced-sale basis.

8 DEFERRED INCOME

DEFERRED INCOME (USD)	31 December 2018	31 December 2017
01 January	5,468,999	5,833,888
Grants Received	2,726,231	2,786,513
Grants realised and recorded as Project Income	(2,675,035)	(3,151,402)
31 DECEMBER 2018	**5,520,195**	**5,468,999**

The tables below show the amounts contracted, received and realised grants amounts. The Deferred Income is the result from the Received amounts minus the Realised amounts. The statement of financial position between contracted and received indicates the off balance sheet grant position.

2017 (USD)	Contracted	Received	Realised before 2016	Realised 2017	Deferred Income	Off Balance
	(A)	(B)	(C1)	(C2)	(B -/- C1 -/- C2)	(A -/- B)
Start-Up	903,049	903,049	903,049	-	-	-
First-Loss	6,712,058	6,712,058	295,990	582,019	5,834,049	-
TA	2,292,362	2,291,664	2,276,504	-	15,160	698
Management Costs	9,589,895	6,650,327	4,621,986	2,466,311	(437,970)	2,939,568
AHME	2,476,135	1,912,023	1,948,570	103,071	(139,618)	564,112
Unrestricted	197,378	197,378	-	-	197,378	-
TOTAL	**22,170,877**	**18,666,499**	**10,046,099**	**3,151,401**	**5,468,999**	**3,504,378**

2018 (USD)	Contracted	Received	Realised before 2017	Realised 2018	Deferred Income	Off Balance
	(A)	(B)	(C1)	(C2)	(B -/- C1 -/- C2)	(A -/- B)
Start-Up	903,049	903,049	903,049	-	-	-
First-Loss	6,712,058	6,712,058	878,009	126,708	5,707,341	-
TA	2,291,665	2,291,665	2,276,504	-	15,161	-
Management Costs	11,894,240	9,221,371	7,088,297	2,460,042	(326,968)	2,672,869
AHME	2,067,209	2,067,209	2,051,641	15,568	-	-
Unrestricted	197,378	197,378	-	72,717	124,661	-
TOTAL	**24,065,599**	**21,392,730**	**13,197,500**	**2,675,035**	**5,520,195**	**2,672,869**

The table below depicts the grant position as of 31 December 2018, consisting of the off -balance sheet grant position and the deferred income position. The same statement of financial position can be derived by deducting total realised expenditure until end of 2018 from the amounts contracted.

2018 (USD)	Off Balance Sheet	Deferred Income	Grant Position
	(A)	(B)	(A + B)
Start-Up	-	-	-
First-Loss	-	5,707,341	5,707,341
TA	-	15,161	15,161
Management Costs	2,672,869	(326,968)	2,345,901
AHME	-	-	-
Unrestricted	-	124,661	124,661
TOTAL	**2,672,869**	**5,520,195**	**8,193,064**

Deferred Income
Deferred income consists of payments and receivables from donors ('grants') related to projects to be carried out and subsequently decreased by the realised income of these projects.

Contracted
From the date of signing the grant agreement, the grant is disclosed in the off-statement of financial position items. The grant agreement has then the status of 'Contracted'.

Received
Grants are not recognised until there is reasonable assurance that MCF will comply with the conditions attached to the grants, and the grants are actually received. Then, the grant status is 'Received' and recognised as Deferred Income.

Realised
Grants are recognised in the statement of comprehensive income on a systematic basis over the periods in which MCF recognises as expenses the related costs for which the grants are intended. The deferred income is then transferred to Income Projects in the statement of comprehensive income; the Grant status is then 'Realised'.

Grant Position
The Grant Position is made up of all received and un-received funds minus all Realised expenses until end of reporting date. The Grant Position is all MCF's probable future income if MCF complies with the conditions attached to the received and un-received Grants.

The table below shows the total Grant amounts per grantor:

2018 Deferred Income Balance (USD)	Total	Private Donations	HIF	USAID	G20 SME Challenge	FMO – BUZA First Loss	FMO- BUZA Other	DGO / 2011	Pfizer Foundation	AFD	DFID / BMGF
Start-up	-	-	-	-	-	-	-	-	-	-	-
First-Loss	5,707,341	784,842	-	651,030	-	2,039,596	-	-	1,000,000	881,440	350,433
TA	15,161	15,161	-	-	-	-	-	-	-	-	-
Management Costs	(326,968)	-	(326,968)	-	-	-	-	-	-	-	-
AHME	-	-	-	-	-	-	-	-	-	-	-
Unrestricted	124,661	124,661	-	-	-	-	-	-	-	-	-
TOTAL DEFERRED INCOME	**5,520,195**	**924,664**	**(326,968)**	**651,030**	**-**	**2,039,596**	**-**	**-**	**1,000,000**	**881,440**	**350,433**
Received	21,392,730	2,242,968	5,815,832	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,157
Total Realised until 2017	(13,197,500)	(1,240,670)	(3,694,049)	(301,807)	(2,493,624)	(145,484)	(2,123,254)	(771,825)	-	(244,446)	(2,182,341)
Total Realised 2018	(2,675,035)	(77,634)	(2,448,751)	(47,163)	(6,376)	-	-	-	-	(55,728)	(39,383)
TOTAL DEFERRED INCOME	**5,520,195**	**924,664**	**(326,968)**	**651,030**	**-**	**2,039,596**	**-**	**-**	**1,000,000**	**881,440**	**350,433**
Contracted	24,065,599	2,242,968	8,488,701	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,157
Received	21,392,730	2,242,968	5,815,832	1,000,000	2,500,000	2,185,080	2,123,254	771,825	1,000,000	1,181,614	2,572,157
OFF BALANCE	**2,672,869**	**-**	**2,672,869**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
GRANT POSITION (DEFERRED INCOME + OFF BALANCE)	**8,193,064**	**924,664**	**2,345,901**	**651,030**	**-**	**2,039,596**	**-**	**-**	**1,000,000**	**881,440**	**350,433**

9 DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2018 MCF had ten derivatives outstanding.

Derivative	Trade Date	Maturity Date	Underlying value (KES)	Underlying value (USD)	Value 31 December 2018 (USD)
Currency Swap	27-Nov-18	29-Nov-21	163,925,280	1,600,000	50,443
Currency Swap	26-Sep-18	28-Sep-21	101,055,000	1,000,000	30,613
Currency Swap	3-Apr-18	6-Apr-21	151,341,000	1,500,000	19,387
Currency Swap	31-Aug-17	31-Aug-20	51,571,650	500,000	21,050
Currency Swap	30-Mar-17	31-Mar-20	41,206,680	400,000	13,693
Currency Swap	08-Feb-17	08-Feb-20	51,849,450	500,000	24,744
Non Deliverable Forward	20-Dec-18	22-Jan-19	103,545,000	1,000,000	12,810
Non Deliverable Forward	24-Aug-16	26-Aug-19	66,720,000	500,000	125,272
Non Deliverable Forward	2-Mar-16	4-Mar-19	71,075,000	500,000	190,250
			802,289,060	**7,500,000**	**488,262**

Derivative	Trade Date	Maturity Date	Underlying value (GHS)	Underlying value (USD)	Value 31 December 2018 (USD)
Currency Swap	28-Nov-18	30-Nov-21	4,920,500	1,000,000	30,830
			4,920,500	1,000,000	30,830
TOTAL ON BALANCE SHEET					**519,092**

The fair value has been determined based on level 2 of the fair value hierarchy. The most significant inputs are the future cash flows based on forward exchange rates (observable rates) discounted at a rate that reflects the credit risk of the counterparty.

MCF does not apply hedge accounting.

Off Balance Sheet items

Financial Guarantee Contracts

31 December 2017 (USD)	Funding Agreements	Guarantee Agreements	Total
Outstanding Loans Underwritten MCF	7,767,715	-	7,767,715
Credit Risk Exposure MCF	6,856,460	1,064,316	7,920,776
CREDIT GUARANTEES RECEIVED (+)/ISSUED (-/-)	**911,255**	**(1,064,316)**	**(153,061)**

31 December 2018 (USD)	Funding Agreements	Guarantee Agreements	Total
Outstanding Loans Underwritten MCF	10,547,498	-	10,547,498
Credit Risk Exposure MCF	9,264,667	2,490,004	11,754,671
CREDIT GUARANTEES RECEIVED (+)/ISSUED (-/-)	**1,282,831**	**(2,490,004)**	**(1,207,173)**

Under the funding agreements loans have been disbursed for which MCF risk portion was lower than MCF funding portion. This causes MCF's credit risk exposure to be lower than the loan portfolio over which MCF runs a repayment risk. MCF has received credit risk guarantees from its Partner Banks.

Under the guarantee agreement, MCF provides a credit guarantee on the loans and backs this through a USD deposit at the partner bank. As the loan size increases the Partner Banks share in the repayment risk of the Loan Outstanding. For Loans larger than USD 50,000, risk is being equally between MCF and the Partner Bank.

Grant Positions
Refer to Grant Positions above for the off-balance sheet items regarding committed but not yet received grants.

(USD)	2018	2017
Start-Up	-	-
First-Loss	-	-
TA	-	698
Management Costs	2,672,869	2,939,568
AHME	-	564,112
Unrestricted	-	-
TOTAL	**2,672,869**	**3,504,378**

Notes to the specific items of the Statement of Comprehensive Income.

10 INCOME ON PROJECTS

Income projects are realised grants.

(USD)	2018	2017
Income on projects - related to Grants	2,675,035	3,151,402
	2,675,035	**3,151,402**

11 RESULT ON LOAN PORTFOLIO AND GUARANTEES

11.1. Result on Loan Portfolio

(USD)	2018	2017
Interest income on Loan Portfolio	1,412,009	940,374
Fee income on Loan Portfolio	46,997	-
Loan portfolio costs	(26,309)	(46,444)
Impairment of Funded Loan portfolio	(96,947)	(202,725)
Impairment of Partners	(109,686)	(253,291)
Exchange rate result	(5,998)	(155,780)
Result Derivatives and Investments	(755,762)	(339,019)
	464,304	**(56,885)**

11.2 Result on Guarantees

(USD)	2018	2017
Interest on deposits	44,750	26,436
Guarantee fee Partner Bank	73,769	36,135
Impairment of Guaranteed Loan portfolio	(92,764)	(2,330)
	25,755	**60,241**

12 PROJECT COSTS TA

(USD)	2018	2017
General TA	35,889	11,064
Tanzania	-	-
Kenya	16	24,665
Ghana	-	56,911
Nigeria	69,643	30,303
	105,548	**122,943**

In 2018, TA costs through MCF's books have been limited to the AHME program, which amounts to USD 105,548.

13 PERSONNEL EXPENSES

(USD)	2018	2017
Salaries	745,180	544,433
Salaries – PharmAccess facility and support agreement	739,189	1,054,182
Third party consultants	115,903	111,605
Social security contributions	95,906	66,866
Pension costs	63,322	37,409
Other personnel expenses/travel expenses	8,716	5,471
Coverage personnel expenses in project costs TA	(33,945)	(94,835)
	1,734,271	**1,725,132**

MCF had 26 FTEs in total during 2018. MCF had 7 FTEs on its Amsterdam payroll during 2018. Salaries of MCF employees in the African countries are charged through the PharmAccess Support Agreement. During 2018 MCF had 7 employees in Kenya, 7 employees in Ghana, 4 employees in Nigeria, and 1 employee in Tanzania.

14 OTHER OPERATING EXPENSES

(USD)	2018	2017
Legal advice	10,877	39,526
Office rent	39,903	24,795
IT costs	63,401	89,111
Audit costs	72,815	58,906
Travel costs	194,001	203,411
Other office expenditure	128,970	87,164
Office expenditure third parties	219,055	143,870
Depreciation	1,921	1,120
	730,943	**647,903**

15 OTHER GAINS AND LOSSES

Other gains and Losses include the result on Derivatives and Investments, as well as receipts on loans written-off. The result on Investments (see Note 3) consists of interest received and changes in fair values of the instruments. The result on Derivatives (Note 9) was -/- USD 763,597, consisting of a change in contract values of -/- USD 143,242 and settlement payments to/from MFX of -/- USD 620,355.

(USD)	2018	2017
Result on Investments	7,835	21,504
Result on Derivatives	(763,597)	(376,829)
Receipts on loans written-off	-	16,306
	(755,762)	**(339,019)**

16 OTHER FINANCIAL INCOME

(USD)	2018	2017
Interest on Cash Balances and other deposits	49,270	12,814
	49,270	**12,814**

17 OTHER FINANCIAL EXPENSES

The other financial expenses include an amount for expenses related to fundraising of USD 48,295.

(USD)	2018	2017
Fundraising and other financial expenses	(48,295)	(277,815)
Other	3,726	(28,387)
	(44,569)	**(306,202)**

18 FOREIGN EXCHANGE RESULTS

(USD)	2018	2017
FX Result Loan Portfolio	(5,998)	(155,780)
FX Result Cash Balances LA	(84,296)	13,056
FX Result Cash Balances TA	(19,561)	(56,524)
FX Result on Deposits	-	-
FX on Investments and Derivatives	-	-
FX Result on Borrowings	53,294	(10,655)
	(56,561)	**(209,903)**

19 RESULT FOR THE YEAR

The net result consists of the financial result from MCF's loan portfolio and related financial income and expenses. This includes the result on MCF's loan book concerning both the funded and the guaranteed loans, the cost of borrowings, fundraising costs, and the result on cash balances that are kept for the purpose of MCF's loan activities. Furthermore, this also includes all FX results that are related to the loan book, borrowings, and Loan Activity (LA) cash balances, investments, and deposits.

The losses on MCF's loan portfolio and related expenses have been covered by grants that are solely dedicated to First Loss.

(USD)	2018	2017
Result on Loan Portfolio	464,304	(56,885)
Result on Guarantees	25,755	60,241
Consulting Income	10,999	-
Interest Costs	(548,470)	(311,269)
FX on borrowings	53,294	(10,655)
FX on Cash Balances LA	(84,296)	13,056
Fundraising costs	(28,989)	(265,247)
Other borrowing costs	(19,305)	(11,261)
	(126,708)	**(582,020)**
Other Comprehensive income on Loan Portfolio	-	-
TOTAL NET INCOME ON LOAN PORTFOLIO	**(126,708)**	**(582,020)**
Income on Projects related to First Loss	126,708	582,020
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**-**	**-**

20 RELATED PARTIES

Transactions and outstanding balances between MCF and PharmAccess are disclosed below. The Health Insurance Fund is part of the PharmAccess Group. All of these transactions were entered into in the normal course of business.

(USD)	31 December 2018	31 December 2017
Outstanding balances		
Receivables related to Cash Advance - PAI Kenya	-	132,367
Deferred Income - HIF	326,968	449,263
Receivables / Liabilities related to projects	370	(300,298)
Accrued expenses	-	(84,022)
Total outstanding balances	**327,338**	**197,310**
Transactions		
Income Projects - HIF	2,448,751	1,780,422
Salaries and wages	(904,391)	(1,054,182)
Other operating expenses	(430,580)	(349,119)
Total transactions	1,113,780	377,121

21 RECLASSIFICATION OF COMPARATIVE FIGURES

The below comparative figures on the Statement of Financial Position have been reclassified to ensure consistent presentation with the current reporting period. The reclassification relates to liabilities to Partner Banks which were previously offset within Receivables from Partner Banks in the prior year.

(USD)	31 December 2017
Assets	
Receivables from Partner Banks	42,802
Total current assets	**42,802**
Total assets	**42,802**

(USD)	31 December 2017
Equity and liabilities	
Liabilities to Partner Banks	42,802
Total current liabilities	**42,802**
Total equity and liabilities	**42,802**

22 SUBSEQUENT EVENTS

None.

OTHER NOTES

Number of employees

The average number of employees on the MCF payroll during the financial year 2018 was 7.0 (2017: 5.8).

Remuneration Management Board, Director PGF and Supervisory Board PGF

The remuneration of Directors during the financial year 2018 amounted to USD 343,637. This remuneration consists of gross salary and a defined pension contribution.

(USD)	2018	2017
Gross Salary	318,207	282,583
Pension Contribution	25,430	21,415
TOTAL	**343,637**	**303,998**

The remuneration costs for individual Directors meet the WNT-norm and the standard DG-norm as set by the Ministry of Foreign Affairs. Both norms set an upper boundary for Board Member remuneration. During the financial year, the board consisted of 2 FTEs. (2017: 2 FTEs) There is no remuneration for the director (PGF) and the supervisory board of PGF.

Signing of the Financial Statements

Stichting Medical Credit Fund

By: non-statutory management board members of Stichting Medical Credit Fund

A.W. Poels, Managing Director

B.L.S. Schaap, Finance Director

By: Stichting PharmAccess Group Foundation, statutory board of Stichting Medical Credit Fund, duly represented by:

M.G. Dolfing-Vogelenzang

J.W. Marees

Amsterdam, The Netherlands, April 29, 2019

Other Information

Independent Auditor’s Report
Reference is made to the independent auditor’s report as included hereinafter.

Result Appropriation for the Year
The result for the year has been nil (USD 0).

Independent Auditor’s Report

Deloitte Accountants B.V.
Gustav Mahlerlaan 2970
1081 LA Amsterdam
P.O.Box 58110
1040 HC Amsterdam
Netherlands

Tel: +31 (0)88 288 2888
Fax: +31 (0)88 288 9737
www.deloitte.nl

Independent auditor's report

To the Supervisory Board of Stichting Medical Credit Fund

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2018 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the accompanying financial statements 2018 of Stichting Medical Credit Fund, based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Medical Credit Fund as at 31 December 2018, and of its result and its cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The financial statements comprise:

1. The statement of financial position as at 31 December 2018.

2. The following statements for 2018: the Statement of comprehensive income for the year ended 31 December 2018, the Statement of changes in equity for the year ended 31 December 2018 and the Statement of cash flows for the year ended 31 December 2018.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Stichting Medical Credit Fund in accordance with the “Wet toezicht accountantsorganisaties” (Wta, Audit firms supervision act), the “Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten” (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA, Dutch Code of Ethics).

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of the Management Board Report and other information.

Deloitte.

Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the foundation or to cease operations or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Deloitte.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 1 resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining 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 foundation's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's 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 foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the foundation to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board and Management Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

Amsterdam, 29 April 2019

Deloitte Accountants B.V.

Signed on the original: A. den Hertog