Medical Credit Fund II Coöperatief U.A.

Annual Report 2021

27 May 2022 | Amsterdam

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Amsterdam, 27 May 2022

Managing Director Update

I am very proud to present to you the 2021 annual report and financial statements of Medical Credit Fund II Coöperatief U.A. (MCF II). This second fund was launched in July 2021 and stands on the shoulders of MCF I's over ten-year track record. Benefiting from the lessons learned in MCF I, MCF II is similar to MCF I in many ways while improvements have been implemented where necessary. To name a few, MCF II will focus on expanding digital loan product offering, improve support to female entrepreneurs and enhance the support beyond the loan to improve the quality of care our clients provide to their communities.

MCF II continues to lend to health MSMEs in sub-Saharan Africa and combines loans with Technical Assistance. This strong combination that has been so impactful in MCF I addresses the real goal of MCF I and II: improving the quality of healthcare. The lending will initially focus on Tanzania, Kenya, Uganda, Ghana and Nigeria and there are other countries in the region that are being assessed for our expansion plans. Reason is the chronic lack of access to capital in most if not all African countries and we have developed a scalable lending model that can be brought to new countries.

The lending will be done through a combination of digital loans and term loans. The digital loans that have been very successful in Kenya since 2017, are being piloted in Tanzania and Ghana for launch in 2022. After that, focus will be on Uganda and Nigeria and possibly new countries. The digital loans do not require traditional collateral which makes them very attractive for so many health MSMEs who do not have the collateral usually required for borrowing and turnaround times are minimal. This very effective product has made it possible to reach rural areas and first borrowing clients and was internationally recognized in November 2021 as the winner of the Finance for the Future Awards in the 'Moving Financial Markets' Category. Term loans are focused on larger and more complex deals with usually longer loan tenures.

MCF II first investor was the Dutch Government through the Ministry of Foreign Affairs. In December, another four lenders joined the party: British International Investment, FMO, Swedfund and Philips. This allowed MCF II to disburse over 8.6 million Euro through 541 loans in just six months after a very smooth transition from MCF I to MCF II and during the Covid pandemic.

It has been a tough but excellent year. I would like to thank my fellow MCF colleagues for their passionate and very effective work in difficult times.

Arjan Poels
Managing Director

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1. INTRODUCTION

Medical Credit Fund (MCF) is the first and only fund dedicated to providing loans and technical assistance to small and medium sized enterprises in the health sector (health SMEs) in Africa. The first fund Stichting Medical Credit Fund (MCF1) was established in 2009 by PharmAccess Group as part of its approach to strengthen African health systems. With over USD 138 million in loan volume disbursed to 1,800 health SMEs it has successfully served the smaller end of the SME sector, amongst them many first time and female borrowers. Medical Credit Fund II Coöperatief (MCF2) was established in the Netherlands in 2021 as the follow-up fund to MCF I.

With growing populations and increased demand for quality healthcare services, African healthcare offers opportunities for investment. Yet, health SMEs that seek to invest in and grow their business, struggle to obtain the requisite financing. To address this gap, MCF II seeks to further scale its activities through a combination of digital innovation and direct lending and further increase its developmental and social impact.

1.1 MISSION & OBJECTIVES

MCF has the mission to mobilize capital for investments in the healthcare value chain, thereby enabling health SMEs to increase their capacity and provide better service to more customers, with an emphasis on those currently underserved. The premise of this mission is that there is significant underinvestment in African healthcare and the private health sector can play an important role in making healthcare services available to the population, thereby complementing the public health system.

To accomplish this mission, the MCF will seek to have impact on three dimensions – financial, developmental, and social:

- *Financial*. MCF aims to prove that the health sector in Africa is an investable sector by providing market-based returns to the equity and debt investors in the fund. The return will be achieved through a balanced portfolio of loans to SMEs with terms and conditions in line with local market circumstances. At the same time MCF will carefully manage and mitigate its credit risks through tightly managed credit policies, appropriately structured loan products and transaction, entering credit guarantee arrangements where applicable, and by carefully monitoring its customers and providing technical assistance to them.

- *Developmental*. MCF seeks to strengthen the healthcare value chain and increase investments in undercapitalized segments. MCF provides financing and technical assistance to SMEs in the health sector to enable them to increase their capacity and serve more customers better, contributing to a stronger health system. MCF develops financial products that are tailored to the challenges of the SMEs in the sector. By increasing the quality, scale and efficiency of these companies and enabling a larger share of the population to use and contribute to the system, the total resources available will increase, risk will decrease, which in turn will attract more investments in the sector and also provide more and better job perspectives for medical professionals. For healthcare providers with term loans SafeCare will be an integral component of MCF, prioritizing investments in quality and supporting healthcare providers to improve their quality of care. MCF believes in the power of women in development and will actively work to support women entrepreneurs by developing inclusive loan products and support programs.

- *Social*. The social objective of MCF is to make quality healthcare services available to more people, including people who are currently underserved and women and children in particular. This can be achieved by bringing services closer to people, literally or financially, and by improving the quality of the services available. MCF seeks to achieve this through increasing the quality, scale and efficiency of private companies in the health sector, thereby increasing the proportion of the population that can access these services. Health infrastructure in particular requires critical mass of paying demand across which it can amortize investment costs.

1.2 TARGET COMPANIES

With limited resources, lack of efficiency and limited capacity of governments, public health systems in Africa are not able to serve their populations adequately. Public healthcare facilities often suffer from weak infrastructure, shortages of staff and supplies, and as a result provide poor quality services. The private sector fills this gap and complements the public sector in providing healthcare services. About half of the African population, including 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. Most companies in the private health sector are small and medium-sized businesses. The SMEs that serve lower income groups face intense challenges like sub-standard infrastructure and equipment, a scarcity of skilled medical staff and poor-quality services. Health SMEs also 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.

To meet the objectives described above, MCF has identified the following gaps in the African health system that are bottlenecks to people's access to healthcare. It will concentrate its energies by focusing on these areas:

- *Primary health care providers*. MCF will continue to focus on primary health care providers. These include clinics and health centers, mother and child clinics or maternity homes, and pharmacies. These are often the first point of contact for patients.

- *Diagnostic centers and specialized clinics*. In (peri)urban settings, diagnostic centers and specialized clinics emerge. Thanks to their specific focus, these facilities can build specialized skills and knowledge and create efficient processes, allowing them to offer high quality services for a low price. Many of their patients are referred by public hospitals due to a lack of capacity or specific expertise in the public sector.

- *Secondary hospitals*. These hospitals serve as the first referral level for primary healthcare facilities and play an important role in training health workers and supporting lower level facilities. MCF believes there are strong lending and investment opportunities to finance the expansion and quality improvement of existing clinics and hospitals that have demonstrated performance and strong management.

- *Networks of hospitals and clinics*. The fragmentation of the health sector results in large inefficiencies. Creating networks or chains can create economies of scale and/or scope to provide better services against a lower price to lower- and middle-income customers. Opportunities also exist in building satellite outpatient clinics linked to a secondary or specialty hospital to move care to the most appropriate location and decrease cost to the patient.

- *Support goods and services to the health sector*. The administrative, human resource, logistical infrastructure in Africa's health sector is almost non-existent, while supply chains for health commodities are weak. MCF can contribute to bridging this gap by financing companies active in this field. These could be companies manufacturing and distributing health commodities, providing and administrating micro insurance products, service and technology providers targeting small and medium sized healthcare providers, as well as medical education institutes for the training of health workers.

- *Public-private partnerships*. Partnerships between public and private parties (PPPs) can help tackle health challenges and have great social impact. PPP arrangements can take various forms - including concessions, build-operate-transfer projects, off-take or pay for performance contracts, etc. - with different contract structures and risk allocation. MCF can provide financing to private entities involved in PPPs provided that the deals are properly structured, and risks are manageable. MCF will use its partners' extensive network with development agencies and experience to analyze and help develop PPP structures. Target companies can be both supporting companies or healthcare providers.

1.3 LOAN PROGRAM

MCF roughly deploys two types of loan products, digital loans and term loans, each with a specific approach in relation to credit policies and procedures. For both loan types, MCF enters a loan contract with the SME directly.

- *Digital loans*. Digital loans will typically be cash-flow based and used for disbursing smaller loans in an efficient collateral-free way. Under MCF I, digital loans were mainly used to finance working capital and equipment purchases. MCF II intends to continuously develop and introduce new digital loan products, which each have their own dynamics and may have different procedures.

- *Term Loans*. MCF2 term loans are typically senior secured loans of between EUR 100,000 and EUR 5 million in local currency, for which MCF will enter into a loan agreement with the health SME directly. For exposures exceeding the single obligor limit of EUR 2.5 million, MCF will seek a credit guarantee or enter into a syndicate arrangement with a co-financier.

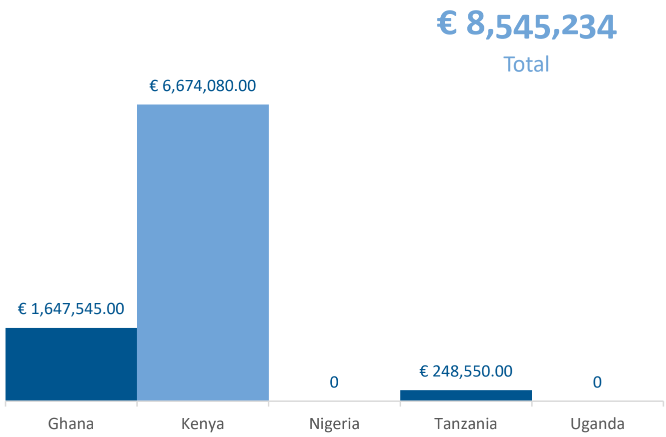
Offering technical assistance to health SMEs has been an intrinsic part of MCF's approach since its inception. The TA Program is aimed at reducing risk, improving quality, and enhancing the business performance of the health SMEs. Technical Assistance helps the Fund evaluation of clinical and financial risks, and requirements for quality improvement, before a loan is approved. After a loan has been disbursed, borrowers are supported in their quality and business improvement processes. The SafeCare quality improvement plan identifies priorities for improvement in healthcare facilities. MCF is also dedicated to building local capacity and expertise by working with in-country partners to deliver technical assistance, developing curricula in health management with local training institutions and providing subject specific trainings.

2. LOAN PORTFOLIO

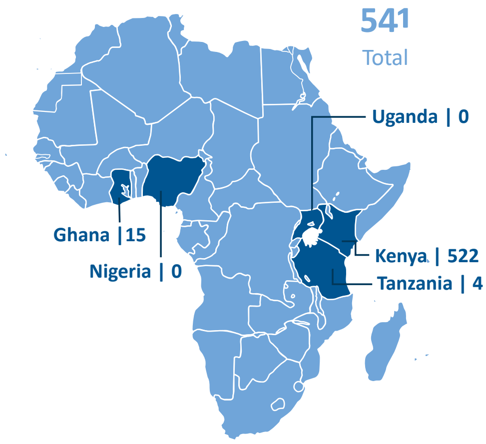
2.1 PORTFOLIO PERFORMANCE

MCF II started lending in July 2021. With digital loans as a main driver – both in numbers and in volume – the portfolio quickly increased with 541 loans with a disbursement volume of EUR 8.5 million. As MCF's digital loan products are so far only available in Kenya, also the lion share of loan disbursements has been in this country. 55% of loans have been disbursed through digital channels.

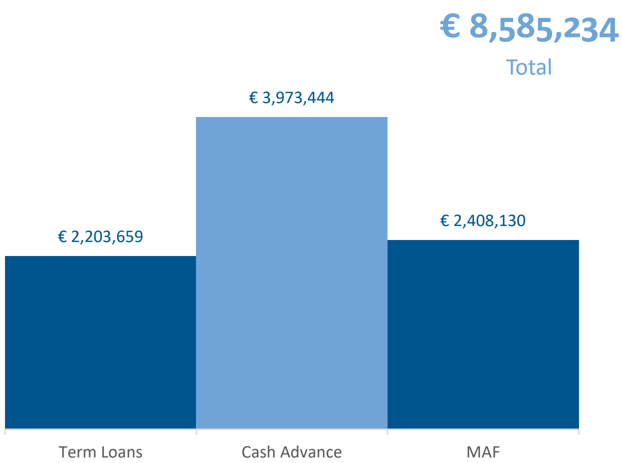
Total loan volume disbursed (Eur) in 2021



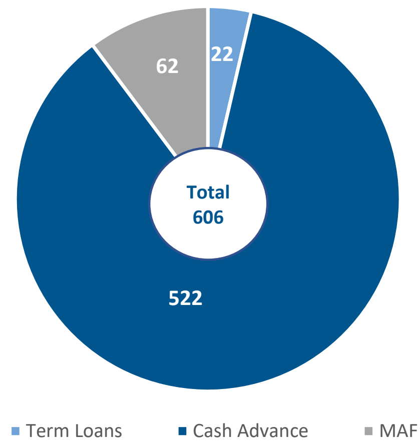
Total number of loans disbursed in 2021



Volume of loans disbursed per loan category (Eur)



Number of loans disbursed per loan category



DIGITAL LOANS DURING THE COVID-19 PANDEMIC – JAMII MEDICAL CENTRE

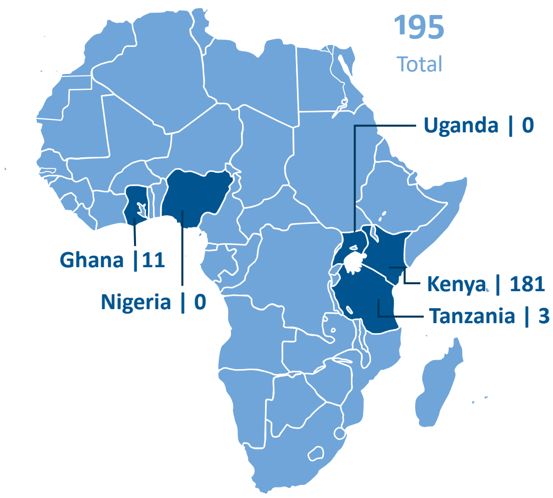
Jamii Medical Centre is a hospital in the East of Nairobi, deep into a slum community of about 800,000 people. Dr. Seline Ojwang and her husband Dr. Ray Ojwang are running the clinic together. Seline is responsible for the daily operations; Ray ensures staff of the clinic is properly qualified and trained.

COVID-19 has been a challenge: due to misinformation and fear, many patients decided to postpone their health visits, meaning revenues declined. Digital loans appeared to be crucial for the facility to get through the pandemic.

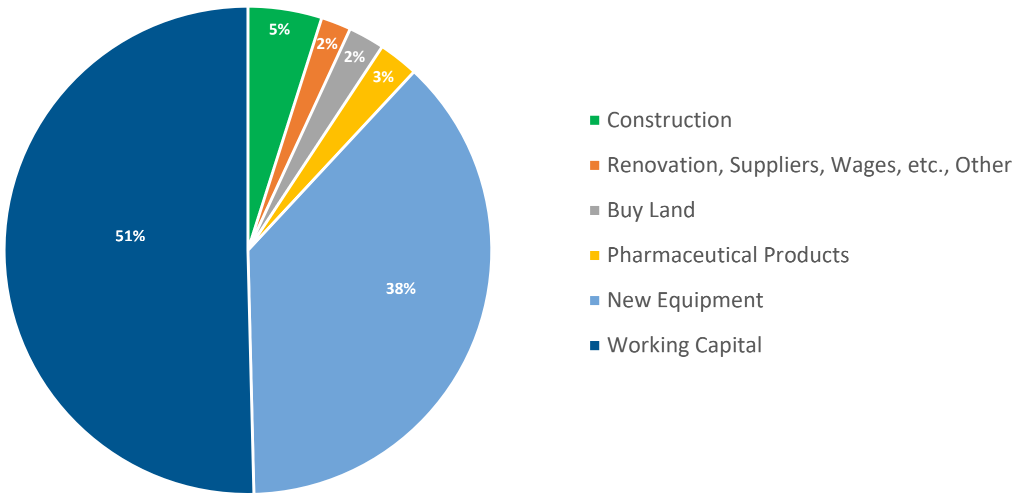
Seline Oiwang: *"Both during and before the pandemic, MCF helped us to make the necessary investments in our hospital. Loans repaid themself. Our facility grew from 15 to 80 patients a day and we now also provide free immunization for children. Thanks to MCF we have been able to buy a variety of medical equipment, like a biochemistry machine and an ambulance. MCF enabled us to set up a proper laboratory and an equipped maternity. We are especially happy with the ability to receive small digital loans within 24 hours, to fill account deficits. It is hard to get loans from Kenyan banks, and it would take months to receive them. Together with SafeCare we were able to grow and improve quality: we started at SafeCare level 1 and are now at level 4. Our next goal: an operation theater!''*

In the first five months, MCF has reached 195 health SMEs across Ghana, Kenya and Tanzania. The largest volume of the loans was spent by these health SMEs on working capital and new equipment. Other areas that loans have been used for were for example construction and renovation, the purchase of land and the purchase of pharmaceutical products.

Total number of SMEs reached in 2021



Volume disbursed by loan usage



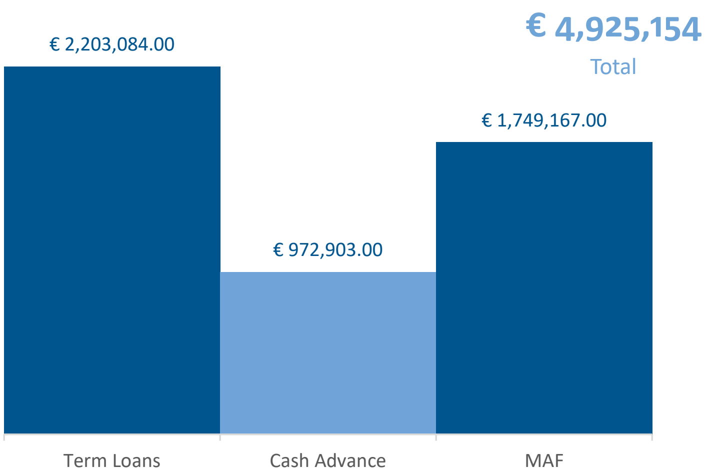
2.2 PORTFOLIO OUTSTANDING

At the end of the year, the number of loans outstanding was 219, with loans outstanding of EUR 4,9 million.

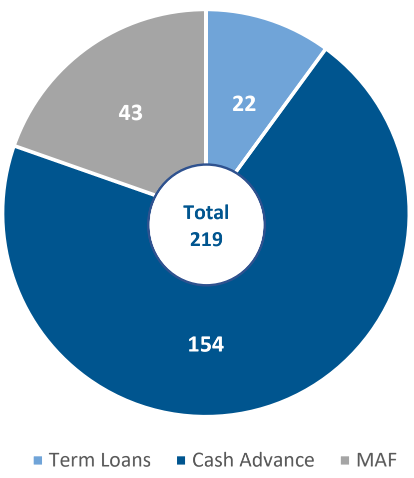
The Cash Advance Loan was developed in partnership with CarePay, a mobile exchange platform company that enables payment to healthcare facilities through mobile phones, using the M-Pesa mobile payment system. The Cash Advance Loan is a short-term unsecured loan product that finances temporary working 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. Mobile Asset Financing which is based on the same features and technology as the cash advance and can be used for medical equipment assets such as ultrasounds and lab equipment. The medical equipment is used as collateral on the Mobile Asset Financing loan. Cash Advance loans have loan sizes ranging from EUR 1,000 – EUR 50,000, whilst Mobile Asset Financing loans range from EUR 50,000 – EUR 100,000. The Cash Advance and Mobile Asset Finance loans are currently only available in Kenya, with plans to expand to more countries in the coming years.

Term Loans have loan sizes over EUR 100,000 and tenures range from 2 years up to a maximum of ten years. Term Loans can be used finance construction or renovation of hospital buildings, medical equipment and working capital. Term Loans are secured by tangible collaterals, like land, property, and marketable fixed assets.

Volume of loans outstanding per loan category by end of year (Eur)



Number of loans outstanding per loan category by end of year 2021



2.3 PORTFOLIO QUALITY

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. Since the fund only disbursed loans in the last five months of 2021 the loan portfolio quality is healthy with only 0.03% of the loans above PAR90 at the end of the year.

ST. MAXIMILIANCOLBE HEALTH COLLEGE, TANZANIA

In efforts to increase the numbers of health professionals in Sub-Saharan Africa, Medical Credit Fund also supports medical schools.

Seven years ago, Elizabeth Nkonyoka started a School in Pharmaceutical Sciences, a private institute. Public health schools work with enrollment quotas as they face shortages in staff, budget and materials. Private schools like hers fill a gap, allowing more students to start a career in health and improve access to care on a national level.

Elizabeth started raising capital for construction work, allowing the school to grow. She had an excellent business record and a huge societal need to fill: Tanzania is in dire need of more healthcare staff. But Elizabeth received rejection after rejection - banks appeared unwilling to provide loans for construction work.

Elizabeth: *"Thanks to a friend I came across MCF. Now that this loan is accepted, I can introduce new courses like nursing and medical laboratory. Also, I will double the student intake from 400 to 800. The Tabora region is one of the least developed areas in Tanzania. Shortages in health workers are everywhere but especially in less developed regions like ours. The school does provide employment for the community and gives students, who come from all over Tanzania, new connections, and opportunities to work here, in Tabora. In the future I would like to allow more and more students from the lowest income groups, including orphans. Currently we have set up a system for some students to enroll for free, while they work for pharmacies that pay a share in their tuition fees. Also, my big goal is to turn the school into a university - it is what Tabora needs!"*

SORI LAKESIDE HOSPITAL, KENYA

In Kenya, breast cancer is the most common cancer among women of all ages and has the third highest mortality. For treatment, people often need to travel far, especially those living outside Nairobi. Sori Lakeside hospital used its loan to make cancer diagnosis and treatment better accessible for people living in the Lake Victoria region, West Kenya.

Sori Lakeside has been an MCF client since 2015. Together with SafeCare the staff accomplished significant quality improvement: it rose from SafeCare level 1 to 4. With the current loan, the hospital will purchase a mammogram machine and a CT scan, and further equip the laboratory. All are key in diagnosing breast cancer.

John Okeyo, Director Sori Lakeside: *"The nearest cancer facility is from Sori Lakeside is Eldoret which is 160 kilometers away. We have been referring patients daily due to lack of cancer equipment. This means a lot of money required for transport, fatigue along the way. Many patients lose hope and give up on treatment and appropriate follow ups. Thanks to the MCF loan, we will be able to serve patients instead of referring them to hospitals far away."*

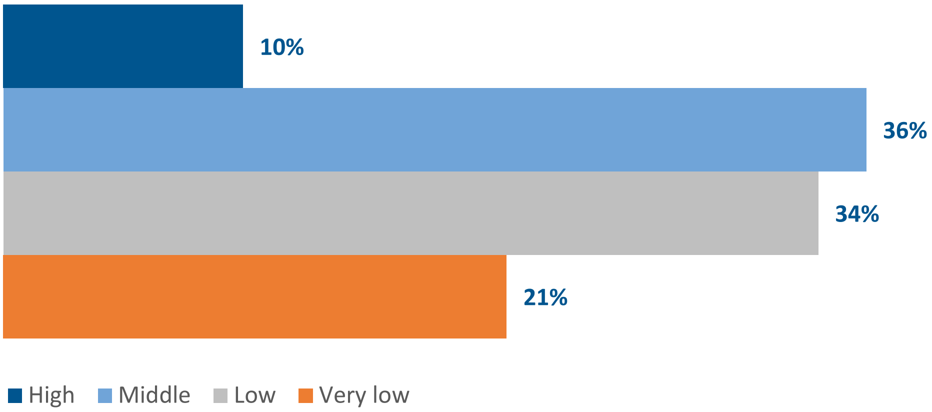
2.4 SOCIAL IMPACT

Female Entrepreneurs

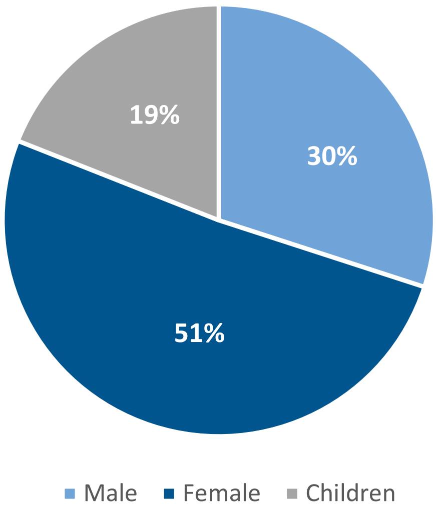
Since the start of MCF II, 109 loans – with a value of EUR 1.35 million – have been disbursed to female entrepreneurs. MCF is currently actively improving current products and developing new products to increase access to loans for female health entrepreneurs. The emphasis is on the digital loan products, as these are accessible without access to collateral, a common hurdle for female entrepreneurs.

Patient Reach

On a monthly basis, MCF beneficiaries have on average 383,457 patient visits. 55% of the patients visiting these facilities and pharmacies come from low-to very low-income groups.



With 70% of patients reached by MCF's beneficiaries are women and children. MCF II qualifies under the 2X Challenge as its funding will enhance access to capital for gender-smart healthcare businesses and help to increase health services for female patients and children. The 2X Challenge is a commitment by the development finance institutions (DFIs) of the G7 to mobilize capital to support businesses provide women in emerging economies with access to leadership opportunities, quality employment, and products and services that enhance their economic participation and inclusion.



3. TECHNICAL ASSISTANCE PROGRAM

3.1 TECHNICAL ASSISTANCE

Together with its strategic partner, PharmAccess Foundation, MCF provides support services or technical assistance (TA) and training to its (potential) borrowers. Before the loan approval, TA focuses on assessing the SME's clinical and business risks. Following loan approval, the support services aim to help the health SME with business growth and quality improvement.

Under MCF II, MCF aims to include at least 80% of its clients in a TA or training program. Together with SafeCare, MCF has set up TA packages that can be offered to clients depending on the size of their loan. In principle, all clients will follow a similar cycle starting with a SafeCare assessment, a business and quality improvement trajectory based on a Quality Improvement Plan and ending with a follow-up assessment. Business and quality improvement activities include trainings, webinars and support calls and visits. Additionally, digital technology is playing a more important role in the provision of TA. SafeCare and MCF are developing an Internet Platform which serves to engage with healthcare facilities in their quality improvement and provide them with useful tools, trainings and resources. See Annex 1 for more information about SafeCare.

The cost of the SafeCare TA and trainings can be financed through the loan, or, if available, through donor funding. The need for other types of TA is assessed during the credit appraisal and can include for example TA on hospital design or construction management. In some cases, the TA can be a condition precedent for disbursing the loan.

In addition, MCF works with various African Universities to deliver Health Management Courses aimed at improving the business skills of healthcare providers, who are often healthcare professionals with no background in finance or management. Capacity development is one of the key elements of MCF's investment strategy as it increases the quality and business performance of MCF borrowers, thereby decreasing investment risk. Healthcare providers with term loans through MCF are encouraged to participate in the health management programs.

HEALTH MANAGEMENT PROGRAMME

MCF has partnered with the Enterprise Development Centre (EDC) to set up the Healthcare Management Programme (HMP): a certificate programme designed to build the capacity of healthcare professionals in bridging the gap between medical practice and business management in the key areas of quality, business, finance and inventory management.

The programme has been designed with a robust curriculum and is delivered with a seasoned world-class faculty. The goal is to assist healthcare professionals in building their capacity to better manage their business. The programme enables participants to understand the operating environment and the opportunities for healthcare businesses in Nigeria, to develop a firm grasp of the business of healthcare, to understand how to create budgets and financial plans and to understand the basic knowledge and skills needed to manage people, processes and programmes efficiently.

In 2021, the programme completed cohort 6 and 7 in July and November respectively, with a total of 44 participants who fully paid and graduated. The course arrangement is a hybrid one, with participants scheduled to attend class physically as well as virtual sessions.

3.2 ACTIVITIES 2021

In the first months of MCF II, 71% of facilities with a term loan were in a TA program. Going forward, MCF aims to increase this number in two ways:

- Improving the TA packages offered to clients with a term loan and expanding these packages to new type of clients, like pharmacies.

- Developing a TA package for clients with digital loans. As previously mentioned, MCF's digital loan portfolio is growing and even expanding to new countries. Offering TA to these clients will be important going forward. MCF has already developed a lighter and more digital package in partnership with SafeCare, as SafeCare also was in the process of further digitalizing its tools to allow for self-managed quality improvement, distant monitoring and digital support. This new package will be offered in 2022 to all new digital clients and will be thoroughly evaluated throughout the course of the year.

MCF & SAFECARE - TA FACILITY WITH A MOTHER & CHILD HEALTH (MNCH) FOCUS

In the last months of 2021, MCF and SafeCare set up a TA Facility in Kenya for health providers serving the bottom of the pyramid, with a special focus on MNCH providers. This TA Facility combines data-driven, digital clinical and strategic planning support and learning tools with traditional capacity building, and access to loans. Through the TA Facility, MCF and SafeCare are deploying a number of activities for facilities:

- Workshops on Infection Prevention Control, Risk Management and Financial Management

- Support with the development of an Investment Plan – based on areas where the facility needs to improve on – and support in loan applications

- Provide support calls and visits on quality improvement

- Collect feedback and improve the online tools developed by SafeCare

From September 2021 until the end of the year, this program targeted 40 MCF clients, of which many were Cash Advance clients. In 2022, the program will reach more clients in Kenya and will be expanding to Ghana.

The aim is to learn on the most impactful and efficient ways to deliver online and offline TA to MCF clients. MCF will use the lessons to further improve the TA Program for digital loan clients.

4. FINANCIAL OVERVIEW

4.1 INCOME STATEMENT

MCF II gets off to positive start generating a net-profit after tax of EUR34k in 2021 for its first 5 months of operations. The profits are to be retained by the Fund and held as reverses for the foreseeable future.

MCF II generated EUR 286k of interest income during 2021 at a healthy gross interest margin of 23.3% on the loan portfolio largely driven by higher yielding cash advance loans in Kenya. At year end the product mix equates to 55% of loans outstanding being digital, and 45% of the loans being term loans.

The Fund incurred interest costs incurred of -/- EUR 14k during the year which remain low since given that the first debt facility was only drawdown just prior before year end in December 2021. Combined with non-interest revenues earned of EUR 86k, the primary driver being disbursement fees on digital loans, the Fund posts a combined total income of EUR 358k for 2021.

The Fund incurred portfolio costs of -/- EUR 110k, consisting of a -/- EUR 123k provision for expect future credit losses on the loan portfolio, -/- EUR 1.8k of fees payable for credit guarantees, and offset by a positive foreign exchange rate result of EUR 14k as the Euro weakened in the final quarter of the year relative to the African currencies.

The Fund incurred other opex of -/- EUR 202k consisting of fund management fees of EUR 49k, and other costs related audit fees, legal costs, bank charges, and also a one-off charge for incorporation costs of EUR75k. Finally, a Dutch corporate income tax provision of EUR -/- 11k payable on the Funds profits has been raised.

4.2 BALANCE SHEET

At December 2021, the loan portfolio outstanding net of impairments stands at EUR 4.8 million with 61% of the loans outstanding coming from Kenya, 34% from Ghana, and 5% from Tanzania. In addition to the the loan portfolio, the Fund has Cash of EUR 5.4 million and Other receivables of EUR 87k at year, making up the Funds total assets of EUR 10.3 million. Loan portfolio quality remains healthy at year end with only 0.03% of the outstanding portfolio more than 90 days in arrears (PAR90).

Total Assets are funded by Members Capital and reserves of EUR 7.6 million, Long-term debt of EUR 2.5 million and other liabilities of EUR 142k. During 2021, the Fund drew down on all outstanding Member commitments, and further drew on its junior subordinated debt facility of EUR 2.5 million. As at December 2021, the Fund can still draw on further outstanding debt commitments of EUR 22.5 million until December 2026.

5. GOVERNANCE, FUND & RISK MANAGEMENT

5.1 GOVERNANCE

MCF II falls under the wider governance structure of the PharmAccess Group Foundation (PGF), being the statutory director of Stichting Health Insurance Fund and Stichting Medical Credit Fund, the Members who hold a 99% and 1% interest in MCFII respectively.

The key features of the governance structure are:

- **Management**: Stichting Medical Credit Fund is the executive Director and Fund Manager of MCFII who has delegated the management of MCF II to the MCF Management Board. The MCF Management Board is based in Amsterdam and consists of the MCF Managing Director, Finance Director and Investment Manager.

- **Supervision**: All entities with the PGF group are supervised by one Supervisory Board. Two members of the Supervisory board have MCF II as a special responsibility and interest area.

The Supervisory Board has appointed an Audit Committee and Conflict of Interest Committee each consisting of three of its members. A Medical Credit Fund Credit Committee was also established that reviews and approves all investments with a MCF II credit exposures larger than EUR 400,000. The Supervisory Board of PGF and the 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 2021, four Supervisory Board meetings and two Audit Committee meetings were held. During these meetings the Supervisory Board approved the incorporation of MCFII and commencement of operations. In its meeting of 30 November 2021, the Supervisory Board approved the Series A financing documents of MCFII and the Investment Memorandum. In its meeting of 30 November 2021, the Audit Committee approved the appointment of Deloitte as external auditors.

By law MCF II is also required to hold an annual Members Meeting in which the The Fund Manager shall report on the progress, business activities and performance of the Fund. In addition, The members meeting will convene for investor votes as required under the Members Agreement, such as for the admission of a new member into MCF2, or transfer of existing membership. The first such Members meeting will take place in 2022. We note that in terms of governance the Members meeting has little influence as of today since both Members fall under the PGF structure, and therefore no decisions are made without the prior approval of the PGF Supervisory Board.

5.2 FUND MANAGEMENT

MCF II is managed by Stichting Medical Credit Fund, a non-profit foundation registered and based in Amsterdam, the Netherlands. Stichting Medical Credit Fund operates within the scope of PGF, leveraging its existing networks, market knowledge and partners.

Stichting Medical Credit Fund as the Fund Manager will be responsible for the executive day-to-day management and all operations of the Fund across all countries and jurisdictions. Stichting Medical Credit

Fund provides all necessary staff as well as the responsibility for the implementation of the TA activities. In addition, PGF's institutional infrastructure in the areas of human resources, administration, systems, IT support, resource mobilization, marketing and communication has been placed at the disposal of MCF II. MCF II can therefore fully utilize and reap the benefits of PGF's unique organizational and health sector related assets such as market intelligence, program management skills, quality standard frameworks and investment and support capacities.

MCF II incurs an annual management fee of 4.0% (exclusive of taxes) and calculated over the average gross outstanding loan portfolio for its services. The management fee has been determined on an arm's length basis.

5.3 CREDIT RISK MANAGEMENT

The Medical Credit Fund has a direct exposure to repayment risk of the loans disbursed to the healthcare providers.

The first component to managing credit risk is the MCF credit assessment or due diligence. This process differs depending on the loan type:

- Digital Loans - Digital platforms give MCF direct oversight on a live basis to the revenue or cashflow data of the business, whether the revenue stream be mobile money or health insurance claims. Transparency in data, allows MCF to automate the credit appraisal process through various algorithms.

- Term Loans – The 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.

Although unsecured in the traditional sense, the Cash Advance Loans are being "secured" by the revenues that are running over the CarePay platform and benefit from personal guarantees. Mobile Asset Finance loans are secured by the underlying medical equipment to be financed, whilst Term loans are secured by tangible collaterals, like land, property, and marketable fixed assets.

Most healthcare providers are also enrolled in a technical assistance (TA) program which plays a central role to strengthen business sustainability of our borrowers and reduce credit risk.

The Medical Credit Fund transfers part of this repayment risk to Credit Guarantors. The Fund has entered into a loan portfolio guarantee agreement with the United States International Development Finance Corporation (DFC) which will provide a credit guarantee (coverage ranging from 50 – 80% of the loan principal) on up to EUR 30 million of loan disbursements.

To further manage credit risk MCF II has the following policies in place:

- Credit Risk Exposure to a single Target Health Care Provider (Concentration risk) to a maximum of EUR 2.5 million.

- Exposure to all unsecured investments to a maximum of twenty percent of total MCF II credit risk exposure.

As described in section 5.1. as part of the Governance structure there exists a Credit Committee consisting of members of the Management Board, the Supervisory Board (PharmAccess), and external experts which approve all loans with a credit exposure above EUR 400,000. Loans below EUR 400,000 are approved internally by MCF Management per delegated authorities.

MCF staff and its technical partners perform periodic visits to perform monitoring of the health SMEs. When a client falls into arrears, there is a follow-up by the MCF Business Advisor who is responsible for that borrower. When needed, clients are monitored more frequently. MCF 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.

5.4 FOREX RISK, INTEREST RATE RISK, AND LIQUIDITY MANAGEMENT

Foreign Currency Risk

The Fund is exposed to currency risk since loans are issued in local currencies and therefore financial assets can be subjected to currency devaluation relative to the functional currency of the Fund (Euro).

MCF II has a policy of accepting currency risk which is then mitigated by Management through risk-management measures further explained below.

The foreign currency exposures are monitored on a regular basis in the Asset Liability Management (ALM) meetings. The ALM committee further reviews the currency risk-premium priced into all MCF II loans at least once a quarter. The currency risk-premium is the basis-points (bps) required as a spread to account for the risk of future currency devaluation for a particular currency and is determined using a statistical model that considers several variables including historical as well as forward-looking information. Such forward looking information includes data obtained from yield curves, forecast macro-economic indicators, and upcoming political events such as national or local elections. The bps is maintained to enable the Fund to accumulate adequate capital reserves to mitigate future currency devaluation.

Management seeks to further reduce the currency risk through diversification of the loan portfolio across different currencies in order to limit the concentration risk or exposure on a single currency.

In addition, MCF II has introduced the following limits on open foreign currency exposures to ensure a certain degree of diversification and reserves are in place to protect investors:

- Any single open foreign currency exposure must be less than 50% of Total Assets scaling down from 2023 onwards by 5% each year to a final level of 30%.

- Total aggregate open foreign currency exposures not to exceed Total Equity plus Subordinated Debt by 4 to 1.

The Fund has not entered into any derivative contracts to hedge foreign currency risk.

Interest rate risk

MCF2 is exposed to interest rate risk since its borrowings are floating rate being subject to fluctuations on the Euribor, whilst the Loan portfolio outstanding is fixed rate. Although fixed rate, the Loan portfolio could be exposed to additional interest rate risk if governments were to pass legislation to introduce interest rate caps.

The Fund accepts the exposure to fluctuations in the Euribor which is monitored on a regular basis in the ALM meetings. The MCF finance team is also responsible for stress-testing interest-rate sensitivities on the balance sheet, the output of which is reported to the ALM committee. Refer to note 1.8.4 of the Financial Statements for MCF II interest rate sensitivities.

Liquidity risk

The liquidity risk is monitored on a regular basis in ALM meetings. The MCF finance team is responsible for monitoring and matching the maturities of Assets and Liabilities, which can be referred to on note 7 of the Financial Statements. MCF has introduced guidelines for its cash positions for both local accounts and cash positions at head office. In addition, specific policies are in place to manage Liquidity Risk:

- Weighted average life of the loan portfolio is not more than 5 years

- Current Assets to Current Liabilities of not less than 1.5

- Cash to Total Assets of not less than 5%

6. OUTLOOK 2022

6.1 GROWTH

In 2022, the Funds main objective is to build on a good start to date and grow in all aspects. MCF II will focus on expanding its digital loan product offering, improve support to female entrepreneurs and enhance the support beyond the loan to improve the quality of care our clients provide to their communities.

From a loan portfolio perspective, we target to disburse EUR 25 million in loans to Health mSME's in 2022, reaching a portfolio outstanding of EUR 13 million by end of year whilst maintaining a good portfolio quality with Par 90 lower than 8.0%.

Gender equality is also a key focus of the Fund and we wish to disburse 200 loans to woman owned business in 2022.

From a geographic perspective our main focus will be to achieve further grow in the existing counties Kenya, Tanzania and Ghana whilst we also aim to disburse the first MCFII loans in Uganda and Nigeria in 2022. A project has also been commissioned to investigate expansion into Zambia but this is a longer-term project and not expected in the next 12-months.

6.2 PRODUCT DEVELOPMENT

A key driver for the Funds growth will be to expand the Funds digital product offering beyond Kenya. MCF II currently has pilots ongoing for new digital loans in Tanzania and Ghana which we aim to go live during the second half of 2022.

6.3 TECHNICAL ASSISTANCE

Under MCF II, MCF aims to include at least 80% of its clients in a TA or training program. Together with PharmAccess, MCF has set up TA packages that can be offered to clients depending on the size of their loan. In principle, all clients will follow a similar cycle starting with a SafeCare assessment, a business and quality improvement trajectory based on a Quality Improvement Plan and ending with a follow-up assessment.

MCF will offer TA packages to clients with a term loan, with a more standardized package for the smaller loans, and tailored TA packages for the larger loans.

In the past years, MCF's digital lending portfolio has been growing. MCF is currently exploring the best ways to offer TA to this type of client. A lighter and more digital package has been developed in partnership with SafeCare, as SafeCare also was in the process of further digitalizing its tools to allow for self-managed quality improvement, distant monitoring and digital support.

Finally, MCF will continue to seek partnerships with universities or training institutions to provide TA that complements the quality journey described above.

ANNEX 1: SAFECARE

SafeCare

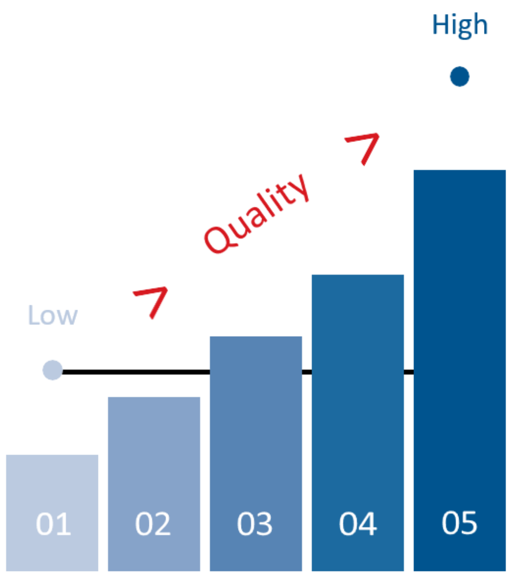
The SafeCare methodology entails a set of international (ISQua accredited) clinical standards that evaluate the structures and processes that guide the delivery of healthcare.

Stepwise Improvement

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

SAFECARE CERTIFICATE LEVELS

01	The quality of the services provided is likely to fluctuate and there is a risk of unsafe situations.
02	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.
03	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.
04	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.
05	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, enabling a holistic view on all required components for safe and efficient delivery of healthcare services. Topics range from human resource management to laboratory services and in-patient care. The four broad categories are divided into 13 sub-categories (Service Elements), which are linked to separate management responsibilities within the healthcare facility.

Ten topics are specifically surveyed: emergency Care, HIV/TB/Malaria, infection Prevention, life and 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 a facility are highlighted as priority areas, so prompt and effective action can be taken . Depending on a facility's performance against the SafeCare standards, it will be awarded a certificate of improvement reflecting the quality level, ranging from one (very modest quality) to five (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.

SafeCare Service Elements

Management

- Governance & Management
- Human Resource Management
- Patient and Family Rights & Access to Care
- Management of Information
- Risk Management

Clinical

- Primary Healthcare (Outpatient) Services
- Inpatient Care
- Surgery and Anesthesia Services

Clinical Support

- Laboratory Services
- Diagnostic Imaging Services
- Medication Management

Ancillary

- Facility Management Services
- Support Services

Data Driven Decision Making

SafeCare methodology also allows other stakeholders—ranging from donors, insurance companies, investors and provider networks to governments— to accurately assess, benchmark and monitor healthcare quality and allocate resources more effectively. By differentiating between facilities operating at different levels, benchmarking is possible at regional, national and international levels. Robust online due diligence reports are combined with cost-efficient improvement strategies, which can guide fact-based decision making, and get a better grip on (health) outcomes, training needs, risk management for quality investments and contracting.

Digital Technologies

Acting on digital technologies, SafeCare has streamlined the assessment process by developing an automated assessment tool which, through standardization, improves process efficiency 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.

Signing of the Management Board Report

By: management board members

A.W Poels
Managing Director

G.T Dawber
Finance Director

By: statutory board of Medical Credit Fund II Coöperatief U.A., duly represented by:

A.W Poels, Managing Director
Representative of Stichting Medical Credit Fund

Amsterdam, The Netherlands, May 27, 2022


SafeCare

FINANCIAL STATEMENTS

Statement of Financial Position as at 31 December 2021 after Appropriation of Result

EUR	Note	31-12-21
ASSETS		
Non-current assets		
Non Current Portion of Loan Portfolio	1,7,8	1,643,960
Total non-current assets		**1,643,960**
Current assets		
Current Portion of Loan Portfolio	1,7,8	3,157,643
Other receivables, prepayments and accrued income	2	86,895
Cash and cash equivalents	3	5,362,900
Total current assets		**8,607,438**
TOTAL ASSETS		**10,251,398**
EQUITY AND LIABILITIES		
Members Capital	4	7,500,000
Retained Earnings		109,032
Total equity		**7,609,032**
Non-current liabilities		
Long-term debts	5	2,500,000
Total non-current liabilities		**2,500,000**
Current liabilities		
Other current liabilities and accruals	6	142,366
Total current *liabilities*		**142,366**
TOTAL EQUITY AND LIABILITIES		**10,251,398**

Statement of Comprehensive Income for the year ended 31 December 2021

EUR	Note	31-12-21
Interest income	10	286,406
Interest costs	11	(13,676)
Net interest margin		**272,730**
Fee income	12	85,528
Non interest revenue		**85,528**
Total income		**358,258**
Impairment of loan portfolio	1.3	(122,712)
Foreign exchange result	13	14,094
Other loan portfolio costs	14	(1,793)
Total portfolio costs		**(110,411)**
Total result on loan portfolio		**247,847**
Operating expenses	15	(153,574)
Fund management fee	16	**(48,897)**
Total operating expenses		**(202,471)**
Result before taxation		45,376
Income tax expense	17	(11,344)
NET RESULT AFTER TAXATION		**34,032**

Statement of Changes in Equity
for the year ended 31 December 2021

EUR	Note	Members Capital	Retained earnings	Total
Balance as at 31 December 2020		**-**	**-**	**-**
Share based payment		-	75,000	75,000
Members drawdown		7,500,000	-	7,500,000
Allocation of result to retained earnings		-	34,032	34,032
BALANCE AS AT 31 DECEMBER 2021	4	**7,500,000**	**109,032**	**7,609,032**

Statement of Cash Flows
for the year ended 31 December 2021

EUR	Note	2021
Cash flows from operating activities		
Result for the year		34,032
Adjustments for:		
Interest income		(286,406)
Interest costs		13,676
Incorporation costs		75,000
Movements in working capital		
- (increase)/decrease in Loan Portfolio		(1,643,960)
- (increase)/decrease in Current Portion of Loan Portfolio		(3,157,643)
- (increase)/decrease in Other receivables and prepayments	2	(47,500)
- increase/(decrease) in Other current liabilities	6	138,199
CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(4,874,602)**
Interest received		247,011
Interest paid		(9,509)
NET CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(4,637,100)**
Cash flows from investing activities		
Members capital drawn down		7,500,000
Borrowings drawn down	5	2,500,000
NET CASH GENERATED FROM FINANCING ACTIVITIES		**10,000,000**
Net increase / (decrease) in cash and cash equivalents		**5,362,900**
Cash and cash equivalents as at January 1		-
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	3	**5,362,900**

Notes to the financial statements for the year ended 31 December 2021

General information

Cooperative

"Medical Credit Fund II Coöperatief U.A.", with its registered address at AHTC, Tower C4, Paasheuvelweg 25, 1105 BP Amsterdam, the Netherlands, hereinafter "MCF II" or "the Fund", was founded on 28 May 2021 as a Coöperatie (Cooperative) in accordance with Dutch law.

Objectives

Stichting Medical Credit Fund was first established in 2009 as the first and only fund in the world to provide affordable capital to private health care providers, such as clinics, hospitals, laboratories, and pharmacies, in Africa. In 2021, MCF II was established as the successor to Stichting Medical Credit Fund.

MCF II 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 to private healthcare providers serving low-income patients, 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 European Union.

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 II'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 II 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

Effect of new or amended financial reporting standards

- Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7. These amendments modify specific hedge accounting requirements. MCF II does not apply hedge accounting and therefore the amendments have no impact.
- Covid-19-Related Rent Concessions amendment to IFRS 16 that provides practical relief to lessees in accounting for rent concessions. MCF II has not entered into any contracts under the scope of IFRS16 and therefore the amendment has had no impact.

Financial reporting standards not yet adopted
MCF II has done a preliminary assessment on the impact of the accounting standards that are issued but not yet effective which are not expected to have a significant impact on implementation. 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 2022 and have not been early adopted by MCF II:

- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023)

- IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date still to be determined)

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023)

- Amendments to IFRS 3 Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)

- Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022)

- Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022)

- Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture (applicable for annual periods beginning on or after 1 January 2022)

- Amendments to IAS 1 and IFRS Practise Statement 2 – Disclosure of Accounting Policies (applicable for annual periods beginning on or after 1 January 2023)

- Amendments to IAS 8 - Definition of Accounting Estimates (applicable for annual periods beginning on or after 1 January 2023)

- Amendments to IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023)

Foreign currencies
The financial statements been drawn up in EURO, which is the functional currency of MCF II 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.

The exchange rates used are as follows:

	2021
TZS/EUR closing rate	2,601.34
TZS/EUR average rate	2,723.97
KES/EUR closing rate	127.07
KES/EUR average rate	128.40
GHS/EUR closing rate	6.90
GHS/EUR average rate	6.96
USD/EUR closing rate	1.13
USD/EUR average rate	1.18

Critical accounting judgments and key sources of estimation

In the process of applying MCF II'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

Management has at the time of approving the financial statements, a reasonable expectation that the MCF II has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Expect Credit Loss (ECL) Provisioning

MCF II has recognised loss allowances based on the expected credit loss model (ECL) of IFRS 9. MCF II measures expected credit losses by combining the PD and LGD into a combined loan loss rate. These model parameters are estimated based on statistical techniques, an assessment of forward looking macro-economic indicators, and supported by management judgement.

In addition, MCF II reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. 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 II makes judgments about the credit quality, levels of arrears and borrower's financial situation.

Estimates of expected credit losses in the IFRS9 model are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Financial instruments

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

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

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. 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 II 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 II recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. MCF II measures the expected credit losses by combining the PD and LGD 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.

For all other financial instruments, MCF II 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 II measures the loss allowance for that financial instrument at an amount equal to 12-month 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, 12-month 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 II 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 II 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 II 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 II has reasonable and supportable information that demonstrates otherwise.

MCF II 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 II 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 II, in full (without taking into account any collaterals held by MCF II).

Irrespective of the above analysis, MCF II considers that default has occurred when a financial asset is more than 90 days past due unless MCF II 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 less any credit guarantees received.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to MCF II in accordance with the contract and all the cash flows that MCF II 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
Stage 1 -Performing	The counterparty has a low risk of default and does not have any past-due amounts by more than 30-days.	12-month ECL
Stage 2 - Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – credit-impaired
Stage 3 - 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 II has no realistic prospect of recovery.	Amount is written off

Lifetime expected credit losses are calculated over the entire MCF II credit exposure (Note 1.6).

Derecognition of financial assets

MCF II derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If MCF II neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, MCF II recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If MCF II retains substantially all the risks and rewards of ownership of a transferred financial asset, MCF II continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which MCF II has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt instruments issued by MCF II 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 II.

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.

Derecognition of financial liabilities

MCF II derecognises financial liabilities when, and only when, MCF II'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.

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.

Statement of Comprehensive Income

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

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.

Fee income

Fee income such as loan origination fees that are payable upfront form an integral part of the EIR of a loan and are subsequently amortized over the life of the loans they relate to in terms of IFRS 9. Non-refundable upfront fees such as loan application or due diligence fees will be recognized as revenue when the performance obligation is satisfied in terms of IFRS 15.

Share-based payments

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. MCF II does not make share-based payment transactions to employees.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. MCF II's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which MCF II expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO THE STATEMENT OF FINANCIAL POSITION

1 LOAN PORTFOLIO

1.1 Loan Portfolio summary

The table below summarizes MCF II's Loan Portfolio at 31 December 2021. All loans outstanding are measured at amortized cost. The current portion of the loan portfolio represent loan repayments which become due in the next 12-months, whilst the non-current portion reflects loan repayments which do not become due in the next 12-months. The amounts for the Loan Portfolio presented are further specified in the tables which follow.

2021 (EUR)	Funded Loan Portfolio
Gross loan portfolio outstanding – non-current portion	1,660,077
Gross loan portfolio outstanding – current portion	3,265,077
GROSS LOAN PORTFOLIO OUTSTANDING	**4,925,154**
Loan loss provision - non-current portion	**(16,116)**
Loan loss provision - current portion	(107,435)
LOAN LOSS PROVISION	**(123,551)**
Net loan portfolio outstanding – non-current portion	1,643,961
Net loan portfolio outstanding – current portion	**3,157,642**
LOAN PORTFOLIO OUTSTANDING NET OF PROVISIONING	**4,801,603**

1.2 Loan Portfolio movement

The table below shows the roll forward of the Loan Portfolio outstanding before taking into account loan loss provisioning.

2021 (EUR)	Tanzania	Kenya	Ghana	Total
Gross loan portfolio outstanding				
Balance as at 1 January 2021	-	-	-	-
Loans Disbursed	263,609	6,674,080	1,647,545	8,585,234
Instalments Received	(22,101)	(3,686,846)	(2,765)	(3,711,712)
Loans Written Off	-	-	-	-
Exchange rate result	7,042	13,146	31,444	51,632
BALANCE AS AT 31 DECEMBER 2021	**248,550**	**3,000,380**	**1,676,224**	**4,925,154**

1.3 Loan Portfolio maturity

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

2021 (EUR)	Tanzania	Kenya	Ghana	Total
Loan Maturity:				
Outstanding loans < 1 year	117,095	2,781,233	366,749	3,265,077
Outstanding loans 1 – 5 year	105,112	219,147	1,309,475	1,633,734
Outstanding loans > 5 year	26,343	-	-	26,343
OUTSTANDING AS AT 31 DECEMBER 2021	**248,550**	**3,000,380**	**1,676,224**	**4,925,154**

1.4 Loan Portfolio by loan type

The table below shows the Loans portfolio outstanding by type of loan.

2021 (EUR)	Tanzania	Kenya	Ghana	Total
Outstanding per Loan Type:				
Cash Advance Loans	-	972,903	-	972,903
Mobile Asset Finance	-	1,749,167	-	1,749,167
Term Loans	248,550	278,310	1,676,224	2,203,084
OUTSTANDING AS AT 31 DECEMBER 2021	**248,550**	**3,000,380**	**1,676,224**	**4,925,154**

The Cash Advance Loan was 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 unsecured 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. Mobile Asset Financing which is based on the same features and technology as the cash advance and can be used for medical equipment assets such as ultrasounds and lab equipment. The medical equipment is used as collateral on the Mobile Asset Financing loan. Cash Advance loans have loan sizes ranging from EUR 1,000 – EUR 50,000, whilst Mobile Asset Financing loans range from EUR 50,000 – EUR 100,000. In 2021, MCF II disbursed 459 Cash Advance loans and 60 Mobile Asset Finance loans. The Cash Advance and Mobile Asset Finance loans are currently only available in Kenya, with plans to expand to more countries in the coming years.

Term Loans have loan sizes over EUR 100,000 and tenures range from 2 years up to a maximum of ten years. Term Loans can be used finance construction or renovation of hospital buildings, medical equipment and working capital. Term Loans are secured by tangible collaterals, like land, property, and marketable fixed assets. In 2021, MCF II disbursed 22 Term Loans.

1.5 Credit risk exposure on Loan Portfolio

2021 (EUR)	Tanzania	Kenya	Ghana	Total
Exposure as at 31 December 2021				
Outstanding loans	248,550	3,000,380	1,676,224	4,925,154
Received Credit Guarantees	(105,055)	-	(583,146)	(688,201)
TOTAL EXPOSURE	**143,495**	**3,000,380**	**1,093,078**	**4,236,953**

MCF II has entered into a loan portfolio guarantee agreement with the United States International Development Finance Corporation (DFC) which provides a credit guarantee (coverage ranging from 50 – 80% of the loan principal) on up to EUR 30 million of loan disbursements. The table above reflects the outstanding loans which are covered under the DFC guarantee facility therefore reducing the total credit exposure to the Fund. MCF II incurs a guarantee fee of 1% per annum on the received credit guarantees which is included in Note 14 Other loan portfolio costs. The coverage expiration date for the DFC guarantee facility is September 30, 2032.

1.6 Expected credit losses on Exposure

2021 (EUR)	Stage 1 - Performing Loans (12-month ECL): Not past due secured	Stage 1 - Performing Loans (12-month ECL): Not past due unsecured	Stage 2 - Doubtful (Lifetime ECL): Elevated Macro-economic risk	Stage 2 - Doubtful (Lifetime ECL): Specific identifi-cation	Stage 2 - Doubtful (Lifetime ECL): 31-60	Stage 2 - Doubtful (Lifetime ECL): 61-90	Stage 3 - In default (Lifetime ECL): Specific identi-fication	Stage 3 - In default (Lifetime ECL): 91-180	>180	Total
31 December 2021										
Expected credit loss rate	1.5%	3.0%	3.0%	20.0%	20.0%	35.0%	50.0%	50.0%	100.0%	
Estimated total gross carrying amount at default	421,805	2,709,115	1,093,078	-	10,714	700	-	1,541	-	4,236,953
LIFETIME EXPECTED CREDIT LOSS	**(6,327)**	**(81,273)**	**(32,792)**	**-**	**(2,143)**	**(245)**	**-**	**(771)**	**-**	**(123,551)**

The table above shows the Expected credit losses determined in accordance with MCF II credit risk grading framework as explained in the Summary of Accounting Policies. As for the exposure at default, this is represented by the assets' gross carrying amount at the reporting date less any credit guarantees received (Note 1.5).

1.7 Loan loss provision movement

2021 (EUR)	Tanzania	Kenya	Ghana	Total
Loan loss provision				
Balance as at 1 January 2021	-	-	-	-
Additions to provisions	2,069	88,238	32,405	122,712
Write-offs	-	-	-	-
Exchange rate result	83	368	388	839
BALANCE AS AT 31 DECEMBER 2021	**2,152**	**88,606**	**32,793**	**123,551**

The above figures represent provisions taken for expected credit losses on exposures to healthcare SMEs.

1.8 Risks arising from Loans

The key risks MCF II is exposed to are credit risk, currency risk, liquidity, and interest rate 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 transfers part of this repayment risk to Credit Guarantors such as DFC.

Although unsecured in the traditional sense, the Cash Advance Loans are being "secured" by the revenues that are running over the CarePay platform and benefit from personal guarantees. Mobile Asset Finance loans are secured by the underlying medical equipment to be financed, whilst Term loans are secured by tangible collaterals, like land, property, and marketable fixed assets.

To manage credit risk MCF II has policies in place such as limiting Credit Risk Exposure to a single Target Health Care Provider (Concentration risk) to a maximum of EUR 2.5 million and capping exposure to all unsecured investments to twenty percent of total MCF II credit risk exposure.

2021 (EUR)	Tanzania	Kenya	Ghana	Total
Portfolio at Risk:				
Exposure on Loans not past due more than 30 days	143,495	2,987,425	1,093,078	4,223,998
Exposure on Loans past due more than 30 days until 90 days	-	11,414	-	11,414
Exposure on Loans past due more than 90 days until 180 days	-	1,541	-	1,541
Exposure on Loans past due more than 180 days	-	-	-	-
EXPOSURE AS AT 31 DECEMBER 2021	**143,495**	**3,000,380**	**1,093,078**	**4,236,953**

The above table shows the Credit risk exposure on the loan portfolio outstanding by number of days in arrears. As of 31 December 2021, the portfolio quality of MCF II remains strong with less than 0.1% of the exposure outstanding more than 90-days past due (Par-90).

Arrears monitoring of the portfolio is done on a continuous basis by local MCF II teams. In addition, loan portfolio meetings are held monthly in each country and at the Amsterdam level where loans are discussed on an individual basis. Most healthcare providers are also enrolled in a technical assistance program which plays a central role to strengthen business sustainability of our borrowers and reduce credit risk.

The Board Credit Committee consisting of members of the Management Board, the Supervisory Board (PharmAccess), and external experts approve all loans with a credit exposure above EUR 400,000. Loans below EUR 400,000 are approved internally per delegated authorities.

1.8.2 Currency risk

The Fund is exposed to currency risk since loans are issued in local currencies and therefore financial assets can be subjected to currency devaluation relative to the functional currency of the Fund (Euro).

MCF II has a policy of accepting currency risk which is then mitigated by Management through risk-management measures further explained below. As a result, MCF II does not enter into financial derivatives to hedge currency risk.

The foreign currency exposures are monitored on a regular basis in Asset Liability Management (ALM) meetings. The ALM committee further reviews the currency risk-premium priced into MCF II loans at least once a quarter. The currency risk-premium is the basis-points (bps) required as a spread to account for the risk of future currency devaluation for a particular currency and is determined using a statistical model that considers several variables including historical as well as forward-looking information. Such forward looking information includes data obtained from yield curves, forecast macro-economic indicators, and upcoming political events such as national or local elections. The bps is maintained to enable the Fund to accumulate adequate capital reserves to mitigate future currency devaluation.

Management seeks to further reduce the currency risk through diversification of the loan portfolio across different currencies in order to limit the concentration risk or exposure on a single currency. MCF II has introduced the following limits on open foreign currency exposures to ensure a certain degree of diversification and reserves are in place to protect investors:

- Any single open foreign currency exposure must be less than 50% of Total Assets scaling down from 2023 onwards by 5% each year to a final level of 30%.

- Total aggregate open foreign currency exposures not to exceed Total Equity plus Subordinated Debt by 4 to 1

The table below shows the foreign currency exposures on financial assets and financial liabilities, all loans plus cash positions and borrowings:

2021 (EUR)	Tanzania	Kenya	Ghana	Total
Currency Exposure:				
Funded Loans	248,550	3,000,380	1,676,224	4,925,154
Impaired Amounts	(2,152)	(88,606)	(32,793)	(123,551)
Cash	-	424,977	174,707	599,684
Other	4,399	(5,632)	(22,860)	(24,093)
EXPOSURE AS AT 31 DECEMBER 2021	**250,797**	**3,331,119**	**1,795,278**	**5,377,194**

The analysis below calculates the effect of a substantial depreciation (20%) of the foreign currency rate against the EUR, 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 Euro dollar.

2021 (EUR)	Tanzania	Kenya	Ghana	Total
Currency sensitivity analysis:				
Funded Loans	(49,710)	(600,076)	(335,245)	(985,031)
Impaired Amounts	**430**	**17,721**	**6,559**	**24,710**
Cash	-	(84,995)	(34,941)	(119,936)
Other	(880)	1,126	4,572	4,818
EXPOSURE AS AT 31 DECEMBER 2021	**(50,160)**	**(666,224)**	**(359,055)**	**(1,075,439)**

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. MCF II 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. We refer to note 7 for the maturity tables of our financial assets and liabilities.

1.8.4 Interest rate risk

MCF II is exposed to interest rate risk since its borrowings are floating rate and therefore subject to fluctuations in the Euribor, whilst the Loan portfolio outstanding is fixed rate. Although fixed rate, the Loan portfolio could be exposed to additional interest rate risk if governments were to pass legislation to introduce interest rate caps.

The below table captures the additional interest costs MCF II would have incurred given an increase in borrowing costs by one, two, and three percent.

Net interest income sensitivity	2021 (EUR)
One percent instantaneous decline in interest rates	(25,000)
Two percent instantaneous decline in interest rates	(50,000)
Three percent instantaneous decline in interest rates	(75,000)

2 OTHER RECEIVABLES, PREPAYMENTS, AND ACCRUED INCOME

(EUR)	31 December 2021
Other receivables	75,918
Prepayments	36,223
Accrued interest income	39,395
Prepaid Loan fees	(64,641)
OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME	**86,895**

3 CASH AND CASH EQUIVALENTS

(EUR)	31 December 2021
ABN-AMRO Euro accounts	4,660,117
ABN-AMRO USD accounts	1,633
Bank accounts Kenya – KES	424,977
Bank accounts Kenya – EUR	30,928
Bank accounts Ghana – GHS	174,707
Bank accounts Ghana – EUR	70,538
CASH AND CASH EQUIVALENTS	**5,362,900**

No cash balances are impaired as there are no indicators of elevated credit risk. All cash is unblocked and free of any liens.

During 2021 there was a non-cash transaction in the form of a share-based payment of EUR 75,000 for incorporation costs which settled to Stichting Medical Credit Fund. Stichting Medical Credit Fund is the Fund Manager and an Equity Member of MCF II.

4 EQUITY

Members Capital relates to Equity capital drawn down from the Members of the Cooperative. As of 31 December 2021, Member Capital of EUR 7.5 million has been drawn down by the Fund, and there are no further undrawn capital commitments remaining. All Member Capital is non-redeemable. As of 31 December 2021, there are no preferred, special, or any other forms of Equity Capital. The Fund Manager may admit additional Members to the Cooperative at one or more subsequent closings.

Retained Earnings are profits accumulated and not yet distributed to the Members of the Fund. Distribution of fund profits to Members are the discretion of the Fund Manager.

5 BORROWINGS

5.1 Summary of Borrowings

(i) MCF II has cumulative total borrowings outstanding as at 31 December 2021 of EUR 2.5 million.

(ii) Borrowings of EUR 2.5 million was drawn and EUR nil of borrowings was repaid in 2021.

(iii) All borrowings are denominated in Euro

(iv) All borrowings are floating rate with a spread on Euribor and a floor of 0%. Interest coupons are payable semi-annually.

(v) The current weighted effective annual interest rate on all drawn borrowings is 4.00%.

(vi) Committed borrowings may be drawn by MCF II until December 2026.

(vii) The BII & Swedfund loan is Senior to other debts outstanding.

(viii) All Loans are Senior to Members Capital.

(ix) No MCF II assets are pledged as security on borrowings.

(x) There have been no covenant breaches during the reporting period.

(xi) All borrowings are considered to be non-current.

The tables below show the borrowings committed and drawn:

Lenders	Commited (Eur)	Drawn (Eur)	Currency	Term	Last Repayment Date	First Repayment Date
Philips	2,500,000	2,500,000	EUR	Linear	2031	2027
FMO	7,500,000	-	EUR	Linear	2031	2027
BII & Swedfund	15,000,000	-	EUR	Linear	2031	2027
TOTAL	**25,000,000**	**25,000,000**				

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

6 OTHER CURRENT LIABILITIES AND ACCRUALS

(EUR)	31 December 2021
Accounts payable	48,897
Accrued Interest	4,167
Accrued expenses	77,958
Provision for Taxation	11,344
OTHER CURRENT LIABILITIES AND ACCRUALS	**142,366**

7 MATURITY OF FINANCIAL INSTRUMENTS

The following table details MCF II'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 II's liquidity risk management as the liquidity is managed on a net asset and liability basis.

Financial Assets (EUR)	< 1 year	1-5 years	> 5 years
31 December 2021			
Gross outstanding loans	3,265,077	1,633,734	26,343
Other receivables, prepayments and accrued income	86,895	-	-
Cash and cash equivalents	5,362,900	-	-
TOTAL	**8,714,872**	**1,633,734**	**26,343**

Financial Liabilities (EUR)	< 1 year	1-5 years	> 5 years
31 December 2021			
Interest Bearing Liabilities	-	-	2,500,000
Other current liabilities and accruals	142,366		
TOTAL	**142,366**	**-**	**2,500,000**

8 VALUATION OF FINANCIAL INSTRUMENTS

The table presented below discloses the fair value of financial assets and financial liabilities 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.

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.

Financial Liabilities (EUR)	Carrying value	Fair Value	Level 1	Level 2	Level 3	Measure-ment	Key Input
31 December 2021							
Outstanding Loans	4,801,603	4,933,836	-	-	4,933,836	Discounted Cash Flow	Discount Rate
Other receivables, prepayments and accrued income	86,895	86,895	86,895	-	-	Amortized cost	
Cash Position	5,362,900	5,362,900	5,362,900	-	-	Amortized cost	
Total	**10,251,398**	**10,383,631**	**5,449,795**	**-**	**4,933,836**	**-**	**-**

Financial Liabilities (EUR)	Carrying value	Fair Value	Level 1	Level 2	Level 3	Measure-ment	Key Input
31 December 2021							
Interest Bearing Liabilities	2,500,000	2,500,000	2,500,000	-	-	Amortized cost	
Other current liabilities and accruals	142,366	142,366	142,366	-	-	Amortized cost	
Total	**2,642,366**	**2,642,366**	**2,642,366**	**-**	**-**		

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. To measure fair value, Management has determined a discount rate using latest available central bank data on average commercial bank lender rates in each country plus an assumed spread (judgement based) of 300 bps to adjust for a SME credit risk premium. Using this methodology, the fair value of the loan portfolio exceeds the carrying value implying that the interest rates on MCF II loans are slightly higher than market-related rates that commercial bank would charge. MCF II is not 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. Since the business model is to collect the contractual cashflows, the Outstanding loans are measured at amortised cost and not at fair value after initial recognition. No financial assets or liabilities were reclassified to another level during 2021.

9 OFF-BALANCE SHEET DISCLOSURES

Committed Undrawn Credit Facilities to Borrowers

The table below reflects undrawn credit facilities which have been committed to borrowers. In accordance with IAS37 we disclose committed undrawn credit facilities as an off-balance sheet contingent asset.

(EUR)	2021
Undrawn Loan Commitments	286,002
Total	**286,002**

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

10 INTEREST INCOME ON LOAN PORTFOLIO

(EUR)	2021
Tanzania	7,057
Kenya	194,533
Ghana	84,816
	286,406

EUR 178,283 of interest income in Kenya has been earned from the Cash Advance and Mobile Asset Finance loans. All other interest is earned from Term loans.

11 INTEREST COSTS

(EUR)	2021
Interest on borrowings	4,167
Negative interest on cash	9,509
	13,676

Borrowings from the Philips loan was drawn down on 16th December 2021 therefore only half a month of interest cost has been accrued. Refer Note 5 for further information on Borrowings.

12 FEE INCOME ON LOAN PORTFOLIO

(EUR)	2021
Tanzania	3,636
Kenya	78,631
Ghana	3,261
	85,528

EUR 78,098 of fee income in Kenya has been earned from the Cash Advance and Mobile Asset Finance loans. All other fees are earned from Term loans.

13 FOREIGN EXCHANGE RESULTS ON THE LOAN PORTFOLIO

(EUR)	2021
Foreign exchange result - Realized	(49,916)
Foreign exchange result - Unrealized	64,010
	14,094

The foreign exchange result of EUR 14,094 comprises of FX gains of +/+ EUR 23,979 on the Kenyan Shilling and +/+ EUR 359 on the Tanzanian Shilling, which are offset by FX losses of -/- EUR 9,388 on the Ghanian Cedi and -/- EUR 856 on the USD.

14 OTHER LOAN PORTFOLIO COSTS

(EUR)	2021
Guarantee fee	(1,793)
	(1,793)

MCF II incurs a guarantee fee on received credit guarantees. Refer to Note 1.5 for further information.

15 OPERATING EXPENSES

(EUR)	2021
Legal costs	(14,422)
Audit fee	(61,000)
Bank charges	(3,152)
Incorporation costs	(75,000)
	(153,574)

The incorporation costs of EUR 75,000 were a one-off non-cash transaction in the form of a share-based payment to Stichting Medical Credit Fund. Stichting Medical Credit Fund is the Fund Manager and an Equity Member of MCF II.

Fund operating expenses are capped at 1% per annum of total Committed Capital (EUR 32.5 million - Equity and Debt capital). Operating expenses incurred in excess of this cap are recharged to the Fund Manager. No costs were recharged in 2021.

16 FUND MANAGEMENT FEE

(EUR)	2021
Fund management fee	(48,897)
	(48,897)

The Equity Members have appointed Stichting Medical Credit Fund as the Fund Manager. MCF II incurs an annual management fee of 4.0% (exclusive of taxes) and calculated over the average gross outstanding loan portfolio for its services. The management fee has been determined on an arm's length basis.

17 INCOME TAX EXPENSE

(EUR)	2021
Corporation income tax - current year	(11,344)
	(11,344)

Management has raised a provision for corporation income tax in the Netherlands calculated as the standards rate of corporation tax (25%) applied to the reported net profit before tax. Since MCF II was incorporated on 28 March 2021 and therefore there no prior-year or as of current year tax-assessments as of the reporting date.

18 RELATED PARTIES

Transactions and outstanding balances between MCF II and Stichting Medical Credit Fund are disclosed below. Stichting Medical Credit Fund is the Fund Manager, Director and an Equity Member of MCF II. All of these transactions were entered into in the normal course of business and have taken place at arm's length.

(EUR)	2021
Outstanding balances	
Accounts payable - Stichting Medical Credit Fund	(48,897)
Total outstanding balances	**(48,897)**
Transactions	
Fund management fee - Stichting Medical Credit Fund	(48,897)
Incorporation costs - Stichting Medical Credit Fund	(75,000)
Total transactions	**(123,897)**

OTHER NOTES

Number of employees
The average number of employees on the MCF II payroll during the financial year 2021 is nil. MCF II is represented by employees from the Fund Manager.

Remuneration Management Board, Director PGF and Supervisory Board PGF
The remuneration of the Management Board during the financial year 2021 is nil. MCF II is represented by the Management Board of the Fund Manager. There is no remuneration for the director (Stichting Medical Credit Fund) and the supervisory board of PharmAccess Group Foundation.

Signing of the Financial Statements

By: management board members

A.W Poels
Managing Director

G.T Dawber
Finance Director

By: statutory board of Medical Credit Fund II Coöperatief U.A., duly represented by:

A.W Poels, Managing Director
Representative of Stichting Medical Credit Fund

Amsterdam, The Netherlands, May 27, 2022

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 a profit of Thirty-Four Thousand and Thirty-Two Euros (+/+ EUR 34,032)

Independent Auditor’s Report Report

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