Medical Credit Fund

Medical Credit Fund II Coöperatief U.A.

Annual Report 2023

9 August 2024 | Amsterdam

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Medical Credit Fund

PharmAccess FOUNDATION

Managing Director Update

I am proud to present to you the Medical Credit Fund II (MCF II) annual report and financial statements for 2023. Since inception, our mission has been to help small and medium-sized enterprises in the health sector in sub-Saharan Africa strengthen their businesses and improve the quality of care they provide to their communities. We do this with a small, but dedicated MCF team based in Dar es Salaam, Nairobi, Lagos, Accra and Amsterdam. In 2023, MCF managed two funds: MCF1 (integrated in Stichting MCF) and MCF II (MCF II Cooperative U.A., a separate entity).

In 2023, economic challenges continued in our focus countries. While in 2022 the Ghanaian Cedi lost 66% against the US Dollar and inflation was over 50%, we saw some recovery in 2023 but with inflation still above 20% and the Cedi still devaluing significantly against the US Dollar, economic duress is not over. In Kenya, the Shilling lost 27% against the US Dollar in 2023 and healthcare providers suffered from erratic payments by the national insurer.

This resulted in major problems for MCF clients, who saw their expenses increase while income, especially from insurance claims, remained flat at best. Another consequence was currency losses and credit losses for MCF. As a result, MCF increased its interest rates mid-2023 to reduce losses.

MCF II started lending in July 2021 and continued in 2023 with mainly digital working capital loans in Kenya and term loans in Kenya, Tanzania and Ghana. We combine loans with Technical Assistance since we aim for improved quality care. In 2023, due to the high demand for working capital, MCF II disbursed over 1,500 loans, a new record.

In Ghana, a new digital loan product was launched in September. In Tanzania, we started pilots for digital loans and expect to launch this product in 2024. This will enable us to be much more effective and impactful in these markets.

It has been a difficult but exciting year. I would like to thank my fellow MCF colleagues and our partners for their passion and dedication to serving the African health sector.

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 (MCF II) was established in the Netherlands in 2021 as the follow-up fund to MCF1.

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, MCF seeks 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 (health SMEs). The health 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 concentrates 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 supporting companies or healthcare providers.

1.3 LOAN PROGRAM

MCF roughly deploys two types of loan products, term loans and digital 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.

- *Term Loans*. MCF II 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. Tenures range from two years up to a maximum of ten years. 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. Term Loans can be used to finance construction or renovation of hospital buildings, medical equipment and working capital. Term loans are secured with tangible collateral, like land, property, and marketable fixed assets.

- *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.

Offering technical assistance (TA) 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. TA helps the Fund's 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.

MCF Digital Loans

Introduced in 2017 in Kenya, the MCF Digital Loans are currently the main driver of the MCF portfolio. The first digital loan product – MCF Cash Advance – 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.

MCF Working Capital Loan
MCF Cash Advance is a short-term working capital product based on the mobile revenue of the SME. Based on M-PESA revenues, the product requires limited or no collateral, allows for automated and flexible repayments based on actual digital revenues, and can be deployed quickly with short processing times. Repayments are automatically deducted from the incoming cash flow running over the mobile payment system. The usual term for the working capital loans is 3-6 months, with a maximum term of 12-24 months. Loan sizes range from EUR 1,000 to EUR 300,000.

MCF Mobile Asset Finance
The MCF Mobile Asset Finance (MAF) is based on the principles and technology of the MCF Working Capital Loan, but specifically designed for medical equipment purchases such as ultrasounds and lab equipment. MAF allows for a longer term of maximum 36 months and uses the equipment purchased as collateral. MCF Mobile Asset Financing loans range from EUR 50,000 – EUR 300,000.

MCF Claims Advance
The Claims Advance loan product is a working capital loan product in Kenya based on health insurance claims. The health SME's borrowing capacity is based on the discounted monthly average of the past claims. Customers can view their credit limit and apply digitally.

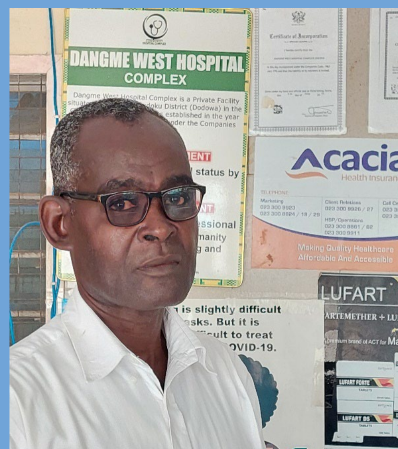
Developments
With over 7,000 digital loans disbursed in Kenya, MCF started to expand its footprint, aiming to bring accessible and affordable healthcare financing to healthcare providers in new markets. In 2023, the MCF Digital Loan product has been launched in Ghana in partnership with Kowri, a Ghanaian fintech company. According to Joseph Hansen-Addy, MCF Director in Ghana, MCF ensures that healthcare providers can focus on what they do best – delivering quality healthcare to their communities - by simplifying the loan application process and leveraging technology.

MCF has also piloted a digital loan product in Tanzania and is expecting to launch in 2024.

Dangme West Hospital Ltd, Ghana

Dangme West Hospital Ltd was one of the first clients in Ghana to receive an MCF Digital Loan. It is a primary healthcare facility located in Dodowa, in the Shai-Osudoku district of the Greater Accra region of Ghana. It is a family-owned hospital, with 29 staff members and an in-patient bed capacity of 28 beds. The business has gone cashless as a result of accessing the digital loan, and – as the first loan already has been repaid – is now already coming back for a second loan.

Mr. Theophilus Laweh Amponsah, administrator at the hospital says: *"The MCF Digital Loan has been very good. We used it for working capital reasons. We didn't even know that we had finished paying, until we were told that we had finished. In fact, digitizing our revenues has made managing our finances much easier…"*

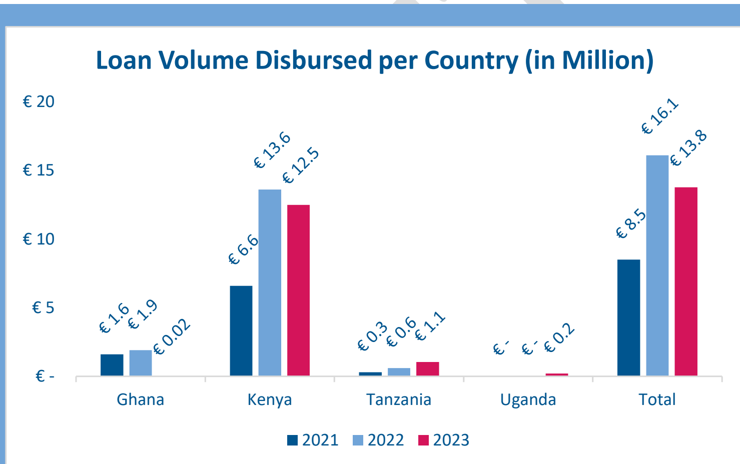


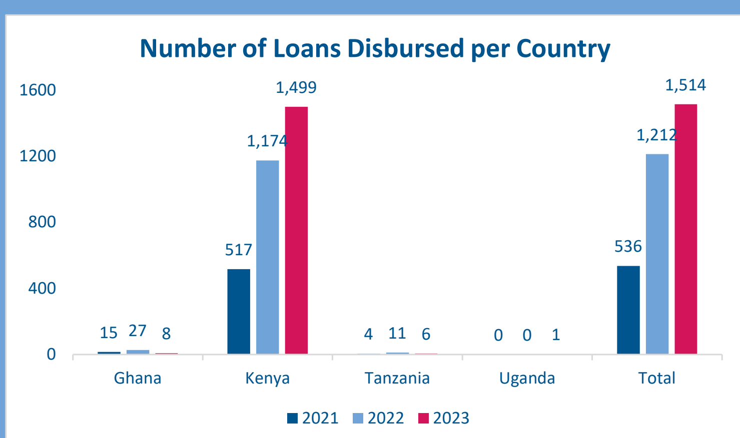
2. LOAN PORTFOLIO

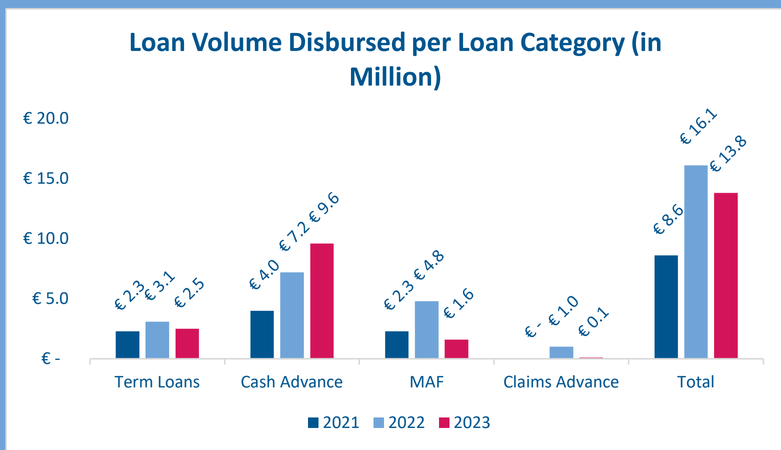
2.1 PORTFOLIO PERFORMANCE

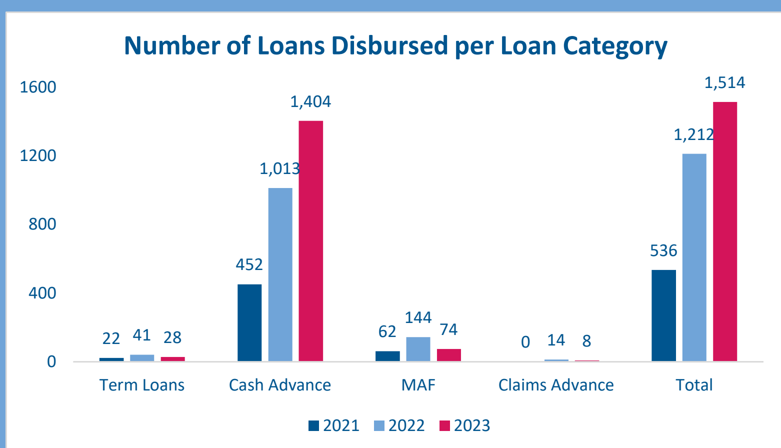
In 2023, MCF continued to face economic challenges in our focus countries. Currency devaluations forced MCF to increase its interest rates in 2023 in Ghana and Kenya. At the same time, clinics saw their expenses increase, while their income from health insurance payments did not. As a result clients decided to postpone large investments and faced difficulties to service their loans. MCF's digital loan products in Kenya remained the main drivers of the portfolio, but the average loan size decreased to just under EUR 10,000.

While we have disbursed 1,514 loans, the highest number of loans ever and 25% more than in 2022, the total amount disbursed was EUR 13.8 million, a 12% reduction compared to 2022.

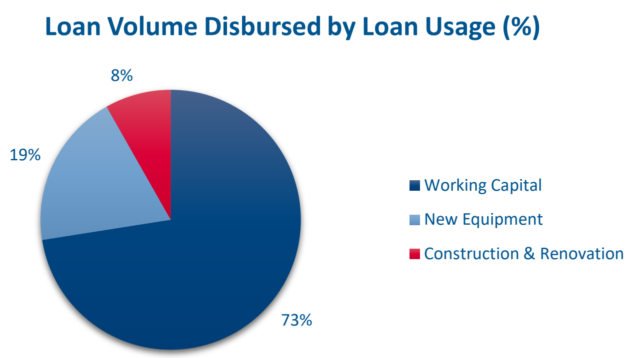






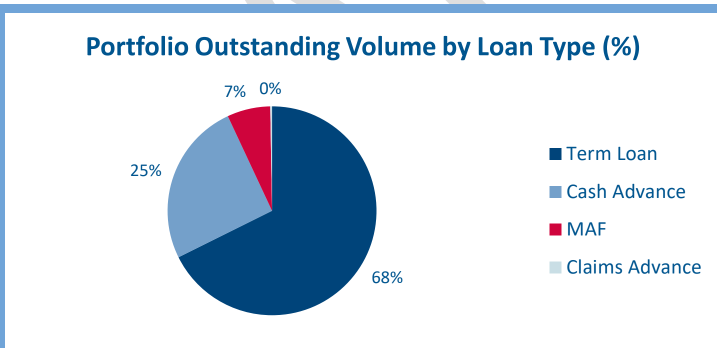


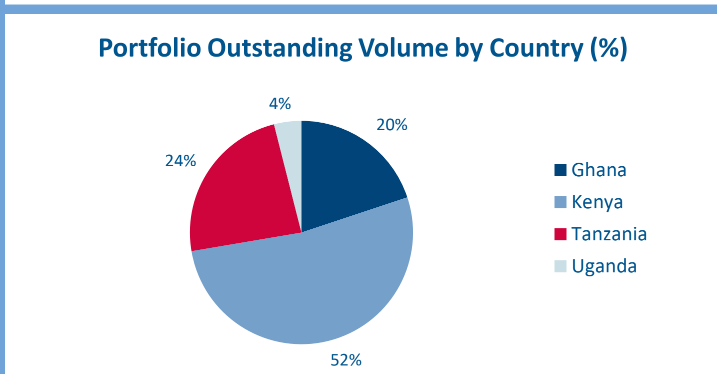
In 2023, the most common use of the MCF loan proceeds was for working capital (73% of the disbursed volume), followed by the purchase of new equipment (19% of the loan volume). Eight percent of the loans were used for construction and renovation.



2.2 PORTFOLIO OUTSTANDING

At the end of the year, the number of loans outstanding was 557, with a gross loan amount of EUR 7.9 million. While only 67 of the outstanding loans are term loans, they comprise almost 55% of the outstanding loan amount.





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. The economic conditions caused deterioration of the loan portfolio quality, with non-performing loans (PAR90 – more than 90 days overdue) reaching 17% as of December 2023.

Hidden Impact – Health SMEs Refinanced Deals

A common indicator of impact of a fund is the outstanding loan portfolio. This is the amount of capital that a fund has invested at a certain point in time. However, in the case of MCF, this indicator does not adequately represent it's impact. This is partly because of MCF's focus on smaller health SMEs that require smaller loans which leads to a large number of loans and clients and a relatively small portfolio.

But there is also hidden impact. These are clients that reached out to MCF because banks were not willing to lend to them because of the perceived risk of the client and/or the investment plans. Especially for construction projects, which are indeed high-risk, banks usually show no appetite. So, healthcare providers turn to MCF for financing. But upon completion of the construction, when the project risk has been overcome, the banks' interest increases dramatically. What remains is a (large) client with a completed new building that can be taken as collateral. The approval by MCF is also seen as an indicator of quality which banks review positively. Banks can offer lower interest rates for large clients with good collateral and low risk to convince clients to change to a different lender. The bank refinances MCF's loan to the healthcare provider and MCF's outstanding portfolio reduces by a large amount.

In cases like this, MCF's impact is enabling the project/client by taking the large risks while MCF is not reaping the benefits of interest income over the full tenure of the loan. This hidden impact is an important one for the health sector in Africa and therefore highlighted in this report. Especially in East Africa, we have seen eight large loans in the past few years refinanced by local commercial banks with a total of EUR 6.5 million equivalent.

Some clients move in the opposite direction – they have a loan with a local commercial bank, but the loan is not aligned with the business and/or the financed project. For example, a construction is financed through a very short loan or inadequate amount. In these cases MCF can refinance the existing loan, give client an extended repayment period and at times increase the funding to complete the project.

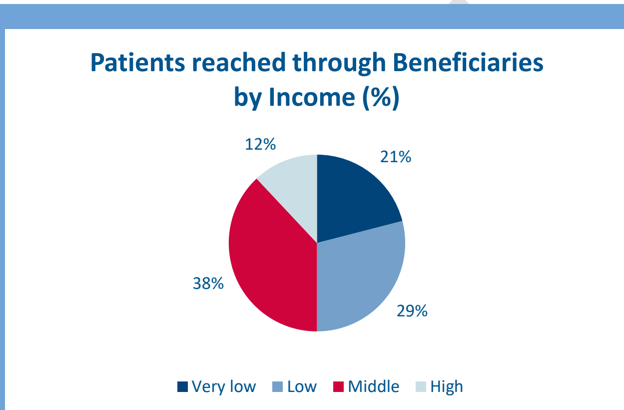
Another visible trend is where clients reach out to MCF for financing and after MCF approval and offer letter, the client reaches out to commercial banks to find a better rate. MCF's stamp of approval strengthens the banks' interest in the deal and a lower interest is offered. Also here, MCF plays an enabling role which is costly but not income generating but seen as impact.

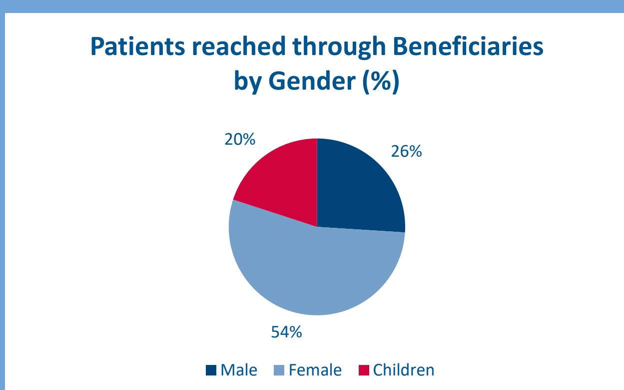
2.4 SOCIAL IMPACT

Patient Reach

On a monthly basis, MCF clients have on average more than 380,000 patient visits. Half of the patients visiting these facilities and pharmacies come from low-to very low-income groups.

More than 50% of MCF's clients offer services that specifically benefit women, such as maternal care, family planning, delivery service, ante-natal care and post-natal care. With 74%, the majority of the patients reached through MCF clients are women and children.





Female Health Entrepreneurs

In 2023, 445 loans have been disbursed to female entrepreneurs, the equivalent of 29% of the total number of loans disbursed. This is an increase compared to 2022, where 23% of the loans disbursed were to women.

Empowering female health entrepreneurs with digital loan products

Earlier studies showed that only 34% of women in Africa engage with the banking sector, as opposed to 47% of men (Stimulating women's entrepreneurship in Africa, WIA Philanthropy, 2020). Moreover, loan amounts granted to women are on average 47% lower than those offered to men. MCF is actively working to improve its current loan products and develop new products to improve access to finance for women.

Last year, MCF engaged with the research agency Medwise Solutions Ltd to assess how we can expand our reach to health SMEs in Kenya, with a focus on female health entrepreneurs. Data (both qualitative and quantitative) were collected among more than 450 healthcare entrepreneurs (non-MCF clients) in Kenya. Some of the key insights were:

- There was low awareness of the MCF Digital Loan product among respondents. Among female respondents, only 6% had ever heard about the product.
- Male respondents perceived themselves as higher risk takers than female respondents.
- Other barriers that were mentioned by women were the inability to meet collateral and asset requirements, the limited financial knowledge, and the limited networks and access to information.
- Participants that never had a loan had very negative perceptions of digital lenders and trust was very low. Distrust was even higher among women. However, among the participants that had ever taken a digital loan, female respondents turned out to be significantly more positive towards digital loans than male respondents, showing digital loan products are female-friendly.

In an earlier study among MCF clients, we have seen that women tend to have lower loan amounts than men, especially looking at term loans. However, considering the MCF Digital Loans, the difference in loan amount decreases; men and women have comparable loan amounts. MCF Digital Loans address the barriers and challenges mentioned by women and thus contribute to lowering the gender gap.

In 2024, we plan to work on increasing awareness about the product, especially among women. An event 'Empower Women Healthcare Entrepreneurs' is planned in Q2 2024. Finally, we plan on publishing the key insights of the research project.

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. All clients 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 online 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.

3.2 ACTIVITIES 2023

At the end of 2023, thanks to the support of MCF investors FMO and Swedfund, 90% of MCF clients with term loans participated in MCF's TA program with assessments, support visits and trainings.

MCF also aims to offer TA support to clients with digital loans. In 2023, a research project was done to collect insights to optimize the TA journey and tailor it to meet the needs of the clients with digital loans. Data was collected internally among MCF and SafeCare team members, and externally among MCF clients. Key challenges that were identified on both organizational level and TA program level are currently being addressed. In the improved TA program, clients work on quality improvement in a modular approach, focusing primarily on their priority improvement areas. The TA program includes a visit by a SafeCare assessor and an online training. The aim is to have an improved TA program ready in Q3 2024.

H.M. Queen Máxima of the Netherlands visits on behalf of the UN ZamZam Medical Services in Kenya

H.M. Queen Máxima of the Netherlands, in her capacity as the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA), visited ZamZam Medical Services to experience how tailormade digital loans of the Medical Credit Fund (MCF) have enabled female health entrepreneurs to expand their clinic and drive access to quality care to their local community.

Zamzam Medical Services is a health facility located at the foot of the Ngong Hills, approximately 22 kilometers southwest of Nairobi. The facility was started 30 years ago in a single room, by nurse and midwife Esther Muthoni and her late husband, who saw an opportunity to establish the first private health facility in the area. Although the journey has not been without challenges for Esther Muthoni, ZamZam Medical Services today offers a variety of healthcare services such as maternal health and family planning, laboratory services, physiotherapy, and dental care, serving around 13,000 lower-income patients annually. Esther says she almost closed the health facility had she not been introduced to the MCF Digital Loans.

On Tuesday, October 24th, Queen Máxima visited ZamZam Medical Services. In her capacity as the United Nations Secretary-General's Special Advocate (UNSGSA) for Inclusive Finance for Development, Queen Máxima has been working around the world to promote universal access to financial services and financial health.

She experienced how digital loans have enabled female health entrepreneurs like Esther to expand her clinic and drive access to quality care to her local community. Queen Máxima mentioned that MCF really understands and addresses the needs of their clients. From new equipment to improving working capital, through digital loans, health facilities like ZamZam can provide better quality services to their patients and their families. This is critical in Kenya where SMEs like ZamZam Medical Services are a key component of the healthcare system.
About half of the population, including those in lower income groups, seek healthcare from private healthcare providers. By breaking down financial barriers and fostering positive development outcomes, quality healthcare can be made accessible to all. As such, the program is contributing to the Universal Health Coverage agenda of the Kenyan government.

4. FINANCIAL OVERVIEW

4.1 INCOME STATEMENT

In its second full year of operations, MCF II generated EUR 2.2 million (2022: EUR 1.6 million) of interest income during 2023, maintaining a consistent gross interest margin of 26% on the loan portfolio largely driven by higher yielding cash advance and mobile asset finance loans in Kenya. At year end the product mix equates to 45% of loans outstanding being digital, and 55% of the loans being term loans.

The Fund incurred interest costs of EUR 369k (2022: EUR 184k) during the year. The increase is due to the interest costs of a full year of the increased debt balance following a drawdown in July 2022, and higher interest rates as EURIBOR increased over the year. Combined with a positive result of EUR 51 k on interest rate hedging and additional non-interest revenues earned of EUR 296k (2022: EUR 258k) the primary driver being disbursement fees on digital loans. The Fund posts a combined total income on the loan portfolio of EUR 2.13 million (2022: EUR 1.7 million) for 2023.

However, regarding the portfolio costs, the Fund continued to face challenges arising from difficult economic conditions. In Ghana inflation remained high at 38% and the Cedi depreciated 22% against the Euro. Depreciation in Kenya of the Kenian Schilling was high as well at 32%. Tanzania was the most stable of the countries MCF is active in, with a depreciation of the Tanzanian Schilling of 11%. To anticipate the ongoing economic challenges, an additional First Loss buffer of EUR 5 million was contributed by BUZA at the end of 2023. Of this 5 million, the first tranche of 2.5 million was received by MCF during December 2023.

The result of this in MCFII is twofold. Firstly, foreign exchange losses on the loan portfolio have been severe at EUR 2 million (2022: EUR 1.2 million loss). Secondly, non-performing loans (PAR 90) have increased from 5.9 % in 2022 to 11.83 % as of 31 December 2023. As a result of this, loan portfolio impairments increased to EUR 0.87 million in 2023 (2022: EUR 0.7 million). Total portfolio costs were EUR 2.85 million (2022: 1.8 million). This has produced a negative total result on the loan portfolio of EUR 0.7 million (2022: 0.1 million positive result).

The Fund incurred other operating expenditure of EUR 498k (2022: EUR 326k) consisting of fund management fees of EUR 344k (2022: 276k), and other costs (related to audit fees, legal costs, bank charges) of EUR 154k (2022: 49k). Finally, a Dutch corporate income tax loss of EUR nill (2022: 114k receivable) on the Funds loss has been raised.

Overall, the Fund posted a loss of EUR 1.2 million (2022: Loss of EUR 342k

4.2 BALANCE SHEET

As of 31 December 2023, the Fund has total assets of EUR 14.6 million (2022: 12.9 million). The growth is driven by cash available due to the First Loss capital contribution. Over the past year, the portfolio outstanding (net of impairment) remained constant which stands at EUR 7.0 million (2022: 7.1 million) with 63% of the loans outstanding coming from Kenya, 17% from Ghana 18% from Tanzania and 3% from Uganda. The Fund has strong liquidity with cash of EUR 6.4 million (2022: 5.0 million).

Total Assets are funded by Members Capital and reserves of EUR 8.87 million (2022: EUR 7.3 million).

Long-term debt of EUR 5.5 million (2022: EUR 5.5 million) and other liabilities of EUR 229k (2022: EUR 134k). During 2023, no additional Funds were drown down on committed debt facilities. As of December 2023, the Fund can still draw on further outstanding debt commitments of EUR 19.5 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 99,26% and 0,74% 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 and 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 Director.
- **Supervision:** All entities with the PGF group are supervised by one Supervisory Board. Two members of the Supervisory board have MCF 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 risk exposures larger than EUR 400,000. The Supervisory Board of PGF and the MCF 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 2023, five Supervisory Board meetings and five Audit Committee meetings were held. PharmAccess Group appointed Mazars as its new auditors after Deloitte had finalized their reporting over the year 2021. As MCF II forms part of the PharmAccess Group, MCF II has also appointed Mazars as its auditor.

By law MCF II is also required to hold an annual Members Meeting in which 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 MCF II or transfer of existing membership. The first such Members meeting took place in 2022 and the second in 2023.

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 is 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 the services of Stichting Medical Credit Fund. The management fee has been determined on an arm's length basis.

5.3 CREDIT RISK MANAGEMENT

MCF II has a direct exposure to repayment risk of the loans disbursed to the health SMEs.

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 insight into the revenues or cashflow of the health SME, be it mobile money or health insurance claims. These data allow 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 digital loans are being "secured" by the revenues that are running over the digital payment platforms such as 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 PGF Supervisory Board, and external experts which approve all loans with a credit risk exposure above EUR 400,000. Credit risk exposures below this limit are approved by MCF Management per delegated authorities.

MCF staff and its technical partners perform periodic monitoring visits 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. Portfolio management is coordinated by the central management team in the Head office through commercial calls and MCF also holds monthly portfolio meetings 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 and repaid in local currencies and therefore are subject to currency devaluation relative to the functional currency of the Fund (Euro). MCF is also exposed to currency risk related to repatriating local currency funds to service its EURO denominated debt.

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 based on hedging quotes obtained in combination with local market intelligence. 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 the option to enter into derivative contracts to hedge foreign currency risk. At the end of 2023, MCF 2 has entered a derivative contract to hedge against depreciation of the Tanzanian Schilling.

Interest rate risk

MCF II is exposed to interest rate risk since its floating rate borrowings are subject to fluctuations on Euribor. The Loan portfolio could be exposed to additional interest rate risk if governments in its countries of operation were to pass legislation to introduce interest rate caps.

Changes in Euribor are 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. 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%.

5.5 COMPLIANCE WITH LAWS AND REGULATIONS & FRAUD RISK

Compliance with laws and regulations

MCF operates in multiple geographies, each with its own regulatory environment. To address the risk of non-compliance with laws and regulations, MCF Management together with local country directors monitor developments in the legal and regulatory landscape of the countries MCF operates in. In countries where the Fund expects to create a permanent establishment, MCF, prior to incorporation, performs a full assessment of the legal and regulatory environment relevant to MCF by a reputable legal firm to ensure compliance with the regulatory environment. In 2023, this was done for Tanzania in preparation for lending from a local entity in the country. Regular support on legal and other compliance matters is available in the form of internal and external legal counsel. MCF internal legal counsel is also appointed as compliance officer to MCF.

Fraud risk

There is an inherent risk of fraud in the business in which MCF operates. Losses that could arise because of fraud or corruption of an MCF borrower are to be mitigated by the KYC-AML-ATF procedures. Ethics, compliance, and procedures for reporting of non-ethical behavior are outlined in the PharmAccess Code of Conduct (CoC) and Anticorruption policy which apply to all MCF staff. On an annual basis, training is undertaken and compulsory for all employees across all countries. Part of the training curriculum is to ensure employees understand the importance of maintaining reputable business practices and the organization's zero tolerance for non-compliance of the Code of Conduct.

Financial controls also exist to prevent employee fraud, including segregation of duties in cash management and approvals and disbursements of Loans. MCF also has an insurance policy to protect the fund against any losses from Fraud, thereby transferring the risk.

5.6 Consolidation of Local Entities

In both Tanzania (Medical Credit Fund II Tanzania Limited) and Kenya (Medical Credit Fund II Kenya Limited), new entities are in the process of being setup and these entities are in the process of acquiring a local digital lending license. This process started during 2023. No local entities existed at the end of 2022.

As of 31 December 2023, Medical Credit Fund II Coöperatief U.A. has determined that consolidation of Medical Credit Fund II Tanzania Limited and Medical Credit Fund II Kenya Limited is not necessary. This decision is based on the fact that both Medical Credit Fund II Tanzania Limited and Medical Credit Fund II Kenya Limited were not yet active during the reporting period and did not engage in any financial transactions or operations. Therefore, consolidating its financial statements would not materially impact the overall financial position or performance of Medical Credit Fund II Coöperatief U.A.

This assessment is in accordance with IFRS 10, which requires consolidation of subsidiaries only when the parent company has control and the subsidiary is active and has a significant financial impact. The situation will be reassessed in subsequent reporting periods when Medical Credit Fund II Tanzania Limited and/or Medical Credit Fund II Kenya Limited become operational.

6. OUTLOOK 2024

In Kenya and Ghana, MCF's biggest countries of operations, economic challenges continue.

In Kenya, the new Government was sworn in 2022 and one of the first changes they effected was the creation of a Social Health Insurance Fund (SHIF) to replace the National Health Insurance Fund (NHIF). All citizens and healthcare providers are expected to register afresh with SHIF by 30th June 2024 and from that date after that SHIF will start receiving premiums.

Until that time, NHIF will continue to collect premiums and pay healthcare providers. In practice, NHIF has been paying late and reduced amounts since April 2023. Many healthcare providers suffer from late (and reduced) payments and struggle to pay their bills and service existing loans. As a result, the quality of MCF's existing portfolio deteriorates and at the same time, there is a very high demand for working capital loans.

In Ghana, inflation stands at 25% which is a lot better than the over 50% in 2022 but still very high. Interest rates are also very high. The income of healthcare providers has not increased with similar rates. MCF clients typically deal with patients under the National Health Insurance scheme (NHIS), who did not increase insurance claims for services rendered. The above has resulted in losses and liquidity stress.

Under these difficult circumstances, MCF aims to continue lending to healthcare providers, in a time when other credit providers close their doors. Especially working capital loans are needed to bridge receivable payments that are delayed but staff salaries need to be paid and medicines need to be bought. These working capital loans are more and more processed through digital loans, in 2024 available in Tanzania, Kenya and Ghana. These digital loans do not require collateral and are therefore suited for almost all providers.

Additionally, MCF wants to further finetune its solutions to serve female health entrepreneurs and the support beyond the loan to improve the quality-of-care MCF clients provide to their communities. MCF aims to continue providing TA to a minimum of 80% of its clients. Currently, most clients with term loans receive TA – a more standardized package for the smaller loans, and tailored TA packages for the larger loans. With the growing pool of digital loan clients, another priority for 2024 is to finalize and launch the TA package for this type of client.

For 2024, MCF will continue to focus on the five countries it is active in now and further increase its market penetration with more health SMEs served and loans disbursed. From the perspective of the loan portfolio, there may be shift towards a larger exposure in Tanzania and Uganda, driven by opportunities for term loans. In the other countries, the proportion of digital (short-term) loans will grow.

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

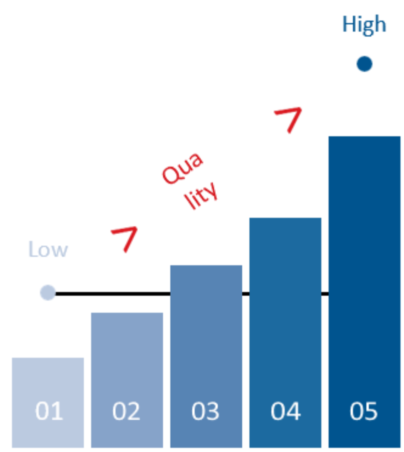
01 The quality of the services provided is likely to fluctuate and there is a risk of unsafe situations.

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 dividedinto 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 stepforward 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 onlinedue 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 forquality investments and contracting.

Digital Technologies

Acting on digital technologies, SafeCare has streamlined the assessment process by developingan 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.


Safe Care
International
local solutions.

SIGNING OF THE MANAGEMENT BOARD REPORT

By: management board members

Signed on the original: A.W. Poels, Managing Director

Signed on the original: H.J. van Eeten, Interim Finance Director

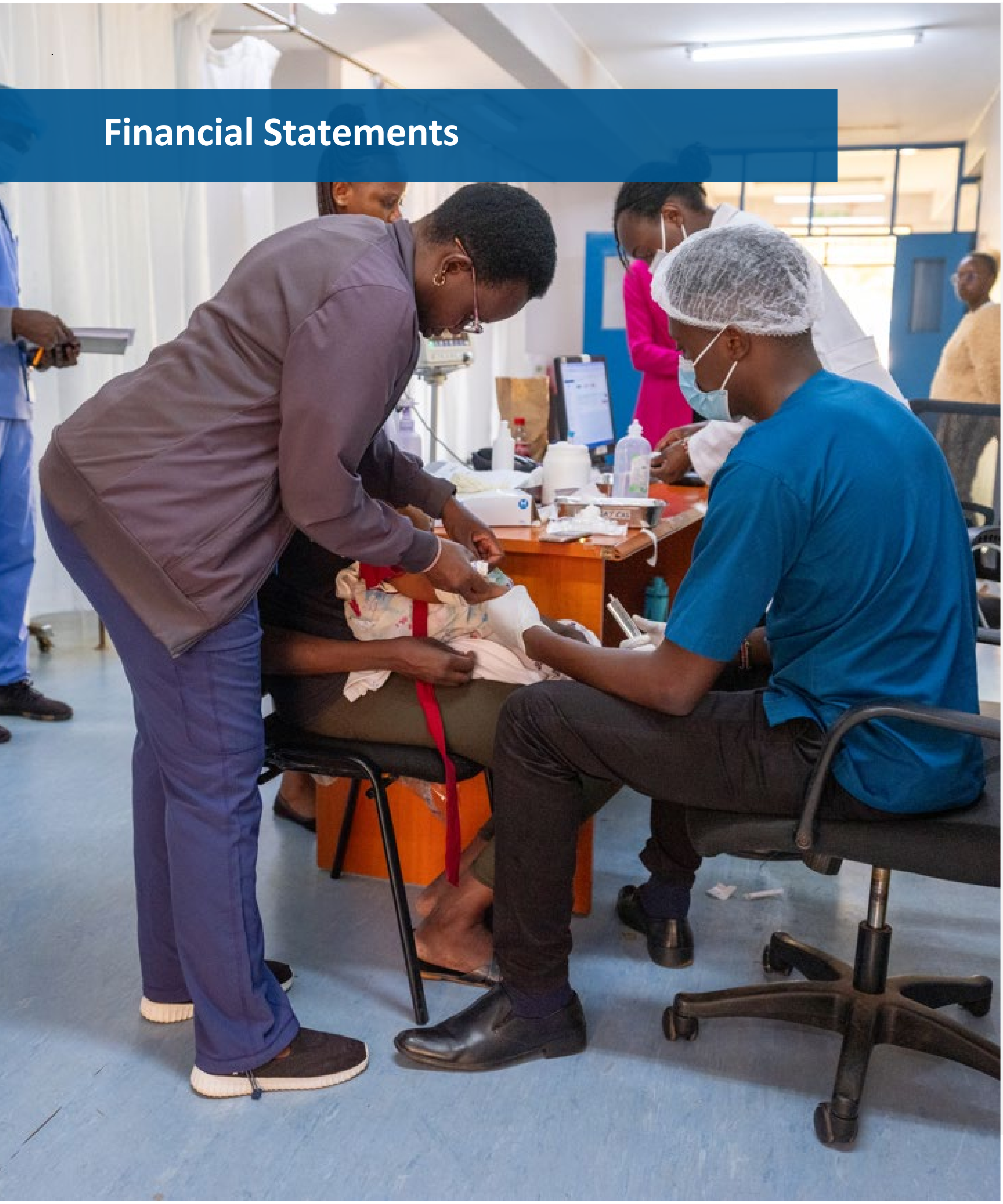
Signed on the original: D. Mulder, Investment Director

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

Signed on the original: A.W. Poels (Representative of Stichting Medical Credit Fund)

Amsterdam, The Netherlands, August 9, 2024

Financial Statements



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

EUR	Note	2023	2022
Non-current assets			
Non-Current Portion of Loan Portfolio	1,7,8	4,421,461	2,499,007
Hedging Result	19	51,714	
Total non-current assets		**4,473,175**	**2,499,007**
Current assets			
Current Portion of Loan Portfolio	1,7,8	2,599,659	4,647,181
Other receivables, prepayments and accrued income	2	1,064,456	772,129
Cash and cash equivalents	3	6,451,890	4,983,286
Total current assets		**10,116,005**	**10,402,596**
TOTAL ASSETS		**14,589,180**	**12,901,603**
Equity and Liabilities			
Members Capital	4	10,075,000	7,575,000
Retained Earnings		(1,214,807)	(307,996)
Total equity		**8,860,193**	**7,267,004**
Non-current liabilities			
Long-term debts	5	5,500,000	5,500,000
Total non-current liabilities		**5,500,000**	**5,500,000**
Current liabilities			
Other current liabilities and accruals	6	228,987	134,599
Total current liabilities		**228,987**	**134,599**
TOTAL EQUITY AND LIABILITIES		**14,589,180**	**12,901,603**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

EUR	Note	2023	2022
Interest income	10	2,160,253	1,632,025
Interest costs	11	(368,753)	(183,704)
Hedging Result		51,714	-
Net interest margin		**1,843,214**	**1,448,321**
Fee income	12	295,855	257,839
Non-interest revenue		**295,855**	**257,839**
Total income		**2,139,069**	**1,706,160**
Impairment of loan portfolio		(788,015)	(651,978)
Foreign exchange result	13	(2,015,428)	(1,173,619)
Other loan portfolio costs	14	(46,634)	(11,053)
Total portfolio costs		**(2,850,077)**	**(1,836,650)**
Total result on loan portfolio		**(711,008)**	**(130,490)**
Operating expenses	15	(154,546)	(49,143)
Fund management fee	16	(343,527)	(276,405)
Total operating expenses		**(498,073)**	**(325,548)**
Result before taxation		**(1,209,081)**	**(456,038)**
Income tax expense	17	302,270	114,010
NET RESULT AFTER TAXATION		**(906,811)**	**(342,028)**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

EUR	Note	Members Capital	Retained earnings	Total
Opening balance as at 1 January 2023		**7,575,000**	**(307,996)**	**7,267,004**
Profit or Loss for the period		-	(906,811)	(906,811)
Distributions		2,500,000	-	2,500,000
Closing balance as at 31 December 2023	4	**10,075,000**	**(1,214,807)**	**8,860,193**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

EUR	Note	2023	2022
Cash flows from operating activities			
Result for the year		(906,811)	(342,028)
Adjustments for:			
Interest income		(2,160,253)	(1,632,025)
Interest costs		368,753	183,704
Movements in working capital:			
- (increase)/decrease in Non Current Portion Loan Portfolio		(1,922,454)	4,095,272
- (increase)/decrease in Current Portion of Loan Portfolio		2,047,522	(6,439,856)
- (increase)/decrease in Other receivables and prepayments	2	(101,051)	(612,232)
- increase/(decrease) in Other current liabilities	6	91,531	(18,104)
CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(2,582,763)**	**(4,765,269)**
Fund management fee paid		~~249,294~~ 334,657	(247,498)
Interest received		1,968,977	1,559,023
Interest paid		(365,897)	(173,367)
NET CASH GENERATED BY / (USED IN) OPERATING ACTIVITIES		**(~~730,389~~645,026)**	**(3,627,111)**
Cash flows from investing activities			
NET CASH GENERATED BY / (USED IN) INVESTING ACTIVITIES		-	-
Cash flows from financing activities			
Members capital drawn down		2,500,000	-
Borrowings drawn down	5	-	3,000,000
NET CASH GENERATED FROM FINANCING ACTIVITIES		**2,500,000**	**3,000,000**
Net increase / (decrease) in cash and cash equivalents		**1,769,611**	**(627,111)**
Changes in FX on cash balances		(~~301,008~~386,371)	247,498
Cash and cash equivalents as at January 1		4,983,286	5,362,900
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	3	**6,451,890**	**4,983,286**

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 1 January 2023.

Effect of new or amended financial reporting standards

- IFRS 17 Insurance Contract: MCF has not entered in any insurance contracts and therefore this article has had no impact.
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies: MCF is of the opinion that the material accounting policies do not differ from the

significant accounting policies and therefore this change has no impact on the financial report.

- Amendments to IAS 8 – Definition of Accounting Estimate: MCF has no intention to change the measurement technique of any of the accounting estimates and therefore this amendment has no bearing on the current financial report.
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction: MCF is, being a foundation, not eligible for filing taxes and therefore this amendment is not applicable.
- Amendments to IAS 1 Classification of Liabilities as Current or Non-current: MCF is of the opinion that accounting policies are in line with IFRS 9 and that amendment of IAS 1 has no significant impact on the materiality assessment, classification, and disclosures of the liabilities in the financial report.

Financial reporting standards not yet adopted

MCF 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 2024 and have not been early adopted by MCF:

- Amendments to IAS 21 (applicable for annual periods beginning on or after 1 January 2025)
- Amendments to IAS 7 and IFRS Practice Statement 7 – Statement of Cash Flows (applicable for annual periods beginning on or after 1 January 2024)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2024)

Foreign currencies

The financial statements have 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:

	2023	2022
TZS/EUR closing rate	2,764.44	2,481.64
TZS/EUR average rate	2,623.04	2,541.49
KES/EUR closing rate	172.20	130.70
KES/EUR average rate	151.45	128.89
GHS/EUR closing rate	13.19	10.78
GHS/EUR average rate	11.98	8.84
USD/EUR closing rate	1.10	1.07
USD/EUR average rate	1.09	1.10

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 recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

Going concern

On the 31st of December 2023, MCF II was in breach of covenant (v) (Non-performing Loans must not exceed 8 per cent. of the Total Loans and Advances in respect of each Relevant Period). This covenant was also breached on the 31st of March 2024 and the 30th of June 2024. MCF II has received waivers for those breaches from the lenders. Measures have been put in place to make sure that this covenant is not breached during the remainder of the year 2024 and during 2025 going forward. With these measures in place, 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 recognized 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 recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized 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 amortized 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 amortized cost. Debt instruments that are subsequently measured at amortized cost are subject to impairment.

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

Financial assets and financial liabilities are recognized 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 recognized immediately in profit or loss.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortized 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.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized 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 amortized cost of the debt instrument on initial recognition.

The amortized 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 amortization 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 amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized 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 recognized by applying the effective interest rate to the amortized 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 recognized 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 amortized cost are measured at FVTPL. Specifically:

Debt instruments that do not meet the amortized cost criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized 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 recognizing 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 recognized in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognized 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 recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized 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 recognizes 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 recognized 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 amortized 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 II's current credit risk grading framework comprises the following categories:

Category	**Description**	**Basis for recognizing 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 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 derecognizes 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized 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 amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized 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 derecognizes 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 derecognized and the consideration paid and payable is recognized 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 recognized 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 recognized 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 recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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 realized 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 and Guarantee Agreements

The table below summarizes MCF II's Loan Portfolio on 31 December 2023. All loans outstanding are measured at amortized cost. The current portion of the loan portfolio represents 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.

EUR	2023	2022
Gross loan portfolio outstanding – non-current portion	2,867,764~~5,027,364~~	2,636,820
Gross loan portfolio outstanding – current portion	~~2,867,764~~5,027,364	5,187,640
GROSS LOAN PORTFOLIO OUTSTANDING	**7,895,128**	**7,824,460**
Loan loss provision - non-current portion	(268,105)	(137,813)
Loan loss provision - current portion	(605,903)	(540,459)
LOAN LOSS PROVISION	**(874,008)**	**(678,273)**
Net loan portfolio outstanding – non-current portion	4,759,259	2,499,007
Net loan portfolio outstanding – current portion	2,261,861	4,647,181
LOAN PORTFOLIO OUTSTANDING NET OF PROVISIONING	**7,021,120**	**7,146,187**

1.2 Loan Portfolio movement

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

2022 (EUR)	Tanzania	Kenya	Ghana	Total
Gross loan portfolio outstanding				
Balance as at 1 January 2022	248,550	3,000,380	1,676,224	4,925,154
Loans Disbursed	682,945	11,793,379	2,190,286	14,666,610
Instalments Received	(287,547)	(9,788,902)	(520,258)	(10,596,707)
Loans Written Off	-	-	-	-
Exchange rate result	7,058	(191,959)	(985,696)	(1,170,597)
BALANCE AS AT 31 DECEMBER 2022	**651,006**	**4,812,898**	**2,360,556**	**7,824,460**

2023 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Gross loan portfolio outstanding					
Balance as at 1 January 2023	651,006	4,812,898	2,360,556	-	7,824,460
Loans Disbursed	1,262,647	12,210,238	71,749	225,040	13,769,674
Instalments Received	(469,297)	(10,333,094)	(729,962)	-	(11,532,353)
Loans Written Off	-	(361,536)	-	-	(361,536)
Exchange rate result	(56,944)	(1,385,170)	(368,817)	5,813	(1,805,118)
BALANCE AS AT 31 DECEMBER 2023	**1,387,412**	**4,943,337**	**1,333,525**	**230,853**	**7,895,127**

1.3 Loan Portfolio maturity

The table below shows the maturity of the Loan portfolio outstanding, before taking into account loan loss provisioning.

2022 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Loan Maturity:					
Outstanding loans < 1 year	651,006	4,812,898	2,360,556	-	7,824,460
Outstanding loans 1 – 5 year	-	-	-	-	-
Outstanding loans > 5 year	-	-	-	-	-
OUTSTANDING AS AT 31 DECEMBER 2022	**651,006**	**4,812,898**	**2,360,556**	**-**	**7,824,460**

2023 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Loan Maturity:					
Outstanding loans < 1 year	323,101	4,083,038	568,995	52,229	5,027,364
Outstanding loans 1 – 5 year	980,446	442,840	737,293	178,624	2,339,202
Outstanding loans > 5 year	83,865	417,459	27,237	-	528,561
OUTSTANDING AS AT 31 DECEMBER 2023	**1,387,412**	**4,943,337**	**1,333,525**	**230,853**	**7,895,127**

1.4 Loan Portfolio by loan type

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

2022 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Outstanding per Loan Type:					
Cash Advance Loans	-	1,387,241	-	-	1,387,241
Mobile Asset Finance	-	2,611,551	-	-	2,611,551
Term Loans	651,006	814,106	2,360,556	-	3,825,668
OUTSTANDING AS AT 31 DECEMBER 2022	**651,006**	**4,812,898**	**2,360,556**	**-**	**7,824,460**

2023 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Outstanding per Loan Type:					
Cash Advance Loans	-	2,808,272	-	-	2,808,272
Mobile Asset Finance	-	743,772	-	-	743,772
Term Loans	1,387,412	1,391,293	1,333,525	230,853	4,343,083
OUTSTANDING AS AT 31 DECEMBER 2023	**1,387,412**	**4,943,337**	**1,333,525**	**230,853**	**7,895,127**

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 2023, MCF II disbursed 1405 (2022: 1013) Cash Advance loans and 67 (2022: 144) 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 typically 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 to 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 2023, MCF II disbursed 26 (2022: 41) Term Loans.

1.5 Credit Risk Portfolio

2022 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Exposure as at 31 December 2022					
Outstanding loans	651,006	4,812,898	2,360,556	-	7,824,460
Received Credit Guarantees	(463,183)	(512,582)	(1,177,174)	-	(2,152,939)
TOTAL EXPOSURE	**187,823**	**4,300,316**	**1,183,382**	**-**	**5,671,521**

2023 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Exposure as at 31 December 2023					
Outstanding loans	1,387,412	4,943,337	1,333,525	230,853	7,895,127
Received Credit Guarantees	(640,085)	(620,802)	(582,652)	(110,677)	(1,954,216)
TOTAL EXPOSURE	**747,327**	**4,322,535**	**750,873**	**120,176**	**5,940,911**

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

The table below 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).

	Stage 1 - Performing Loans		Stage 2 - Doubtful				Stage 3 - In default			
2022 (EUR)	Not past due secured	Not past due unsecured	Elevated Macro-economic risk	Specific identification	31-60	61-90	Specific identification	91-180	>180	Total
31-December-2022										
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	1,937,011	2,822,129	-	-	24,803	513,590	-	159,446	214,542	5,671,522
LIFETIME EXPECTED CREDIT LOSS	**70,667**	**90,030**	**-**	**-**	**4,961**	**213,052**	**-**	**84,138**	**215,425**	**678,272**

	Stage 1 - Performing Loans					Stage 2 - Doubtful				Stage 3 - In default
2023 (EUR)	Not past due secured	Not past due unsecured	Elevated Macro-economic risk	Specific identification	31-60	61-90	Specific identification	91-180	>180	Total
31-December-2023										
Expected credit loss rate	2.0%	4.0%	4.0%	30.0%	30.0%	40.0%	70.0%	70.0%	100.0%	
Estimated total gross carrying amount at default	1,692,820	3,065,362	-	-	220,961	250,053	-	291,849	346,934	5,867,978
LIFETIME EXPECTED CREDIT LOSS	**33,856**	**122,614**	**-**	**-**	**66,288**	**100.021**	**-**	**204,294**	**346,934**	**874,008**

1.7 Loan loss provision movement

2022 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Loan loss provision					
Balance as at 1 January 2022	2,152	88,606	32,793	-	123,551
Additions to provisions	20,844	358,246	272,888	-	651,978
Write-offs	-	-	-	-	-
Exchange rate result	(467)	(23,152)	(73,638)	-	(97,257)
Balance as at 31 December 2022	**22,529**	**423,700**	**232,043**	**-**	**678,272**

2023 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Loan loss provision					
Balance as at 1 January 2023	22,529	423,700	232,043	-	678,272
Additions to provisions	241,483	678,256	260,620	2,310	1,182,670
Write-offs	-	-	-		-
Exchange rate result	(27,903)	(599,907)	(359,219)	93	(986,935)
Balance as at 31 December 2023	**236,109**	**502,049**	**133,445**	**2,404**	**874,008**

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

1.8 Risks arising from loan

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.

2022 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total

Portfolio at Risk:					
Exposure on Loans not past due more than 30 days	144,739	3,862,382	839,864	-	4,846,985
Exposure on Loans past due more than 30 days until 90 days	-	207,238	75,976	-	283,214
Exposure on Loans past due more than 90 days until 180 days	43,084	87,842	112,817	-	243,743
Exposure on Loans past due more than 180 days	-	142,855	154,725	-	297,579
EXPOSURE AS AT 31 DECEMBER 2022	**187,823**	**4,300,316**	**1,183,382**	**-**	**5,671,521**

2023 (EUR)	Tanzania	Kenya	Ghana	Uganda	Total
Portfolio at Risk:					
Exposure on Loans not past due more than 30 days	497,233	3,806,864	406,842	120,176	4,831,115
Exposure on Loans past due more than 30 days until 90 days	208,558	132,053	130,402	-	471,013
Exposure on Loans past due more than 90 days until 180 days	-	209,259	82,590	-	291,849
Exposure on Loans past due more than 180 days	41,536	174,359	131,039	-	346,934
EXPOSURE AS AT 31 DECEMBER 2023	**747,327**	**4,322,535**	**750,873**	**120,176**	**5,940,911**

The above table shows the Credit risk exposure on the loan portfolio outstanding by number of days in arrears. 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 larger loans are discussed on an individual basis. Most healthcare providers are also enrolled in a technical assistance program which plays a central role in strengthening the business sustainability of our borrowers and reducing 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 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:

2022	TZS	KES	GHS	USD	Total
Currency Exposure:					
Funded Loans	651,006	4,812,898	2,360,556	-	7,824,460
Impaired Amounts	(22,529)	(423,700)	(232,043)	-	(678,272)
Cash	-	866,310	343,875	-	1,210,185
Other	22,115	583,957	137	-	606,209
EXPOSURE AS AT 31 DECEMBER 2022	**650,592**	**5,839,465**	**2,472,525**	**-**	**8,962,582**

2023	TZS	KES	GHS	USD	Total
Currency Exposure:					
Funded Loans	723,244	4,640,946	1,333,524	1,197,415	7,895,128
Impaired Amounts	(236,109)	(502,049)	(133,445)	(2,404)	(874,008)
Cash	85,559	1,059,962	1,305,465	163,179	2,614,164
Other	-	-	-	-	-
EXPOSURE AS AT 31 DECEMBER 2023	**572,693**	**5,198,858**	**2,505,544**	**1,358,190**	**9,635,285**

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 comprehensive income.

2022	TZS	KES	GHS	USD	Total

Currency sensitivity analysis:					
Funded Loans	(130,201)	(962,580)	(472,111)	-	(1,564,892)
Impaired Amounts	4,506	84,740	46,409	-	135,655
Cash	-	(173,262)	(68,775)	-	(242,037)
Other	(4,423)	(116,791)	(27)	-	(121,241)
EXPOSURE AS AT 31 DECEMBER 2022	**(130,118)**	**(1,167,893)**	**(494,504)**	**-**	**(1,792,515)**

2023	TZS	KES	GHS	USD	Total
Currency sensitivity analysis:					
Funded Loans	(144,649)	(928,189)	(266,705)	(239,483)	(1,579,026)
Impaired Amounts	47,222	100,410	26,689	481	174,802
Cash	(17,112)	(211,992)	(261,093)	(32,636)	(522,833)
Other	-	-	-	-	-
EXPOSURE AS AT 31 DECEMBER 2023	**(114,539)**	**(1,039,771)**	**(501,109)**	**(271,638)**	**(1,927,057)**

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 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.

EUR	2023	2022
One percent instantaneous decline in interest rates	(77,024)	(68,849)
Two percent instantaneous decline in interest rates	(154,048)	(137,697)
Three percent instantaneous decline in interest rates	(231,072)	(206,546)

2. *Other receivables, prepayments and accrued income*

EUR	31.12.2023	31.12.2022
Other receivables	318,032	527,945
Prepayments	37,814	29,121
Accrued interest income	303,673	112,397
Current Tax asset	404,937	102,666
Prepaid Loan fees	-	-
OTHER RECEIVABLES, PREPAYMENTS AND ACCRUED INCOME	**1,064,456**	**772,129**

3. *Cash and cash equivalents*

EUR	31.12.2023	31.12.2022
ABN-AMRO Euro accounts	3,837,726	3,626,808
ABN-AMRO USD accounts	163,179	75,375
Bank accounts Kenya – KES	1,059,322	866,310
Bank accounts Kenya – EUR	640	784
Bank accounts Ghana – GHS	1,236,471	343,875
Bank accounts Ghana – EUR	68,994	70,134
Bank accounts Ghana – TZS	85,559	-
Cash and cash equivalents	**6,451,890**	**4,983,286**

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

4. *Equity*

Members' Capital relates to Equity capital drawn down from the Members of the Cooperative. As of 31 December 2023, Member Capital of EUR 10.1 million has been drawn down by the Fund. This includes the additional Members Capital of EUR 2.5 million received by MCF 2 to serve as First Loss buffer. The total First Loss capital granted is a total of EUR 5.0 million in November 2023 from Buza of which EUR 2.5 million was received in cash in December 2023 and another EUR 2.5 million will be received at the end of 2024 or early 2025.

All Member Capital is non-redeemable. As of 31 December 2023, 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 is the discretion of the Fund Manager.

5. *Borrowings*

Summary of Borrowings

(i) MCF II has cumulative total borrowings outstanding as at 31 December 2023 of EUR 5.5 million (2022: EUR 5.5 million).
(ii) Borrowings of EUR 0 million (2022: 3 million) were drawn and EUR nil of borrowings was repaid in 2023.
(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 7.16% (2022: 5.93%). The increase is due to increases in EURIBOR in 2023.
(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 covenant breaches on covenant (v) at the end of the reporting period. For this breach, a waiver has been granted by the lenders.
(xi) All borrowings are non-current.

The tables below show the borrowings committed and drawn:

Lenders	Committed (EUR)	Drawn (EUR) 2022	Drawn (EUR) 2023	Currency	Term	Last Repayment Date	First Repayment Date	Interest rate
Philips	2,500,000	2,500,000	2,500,000	EUR	Linear	2031	2027	EURIBOR + 4.00%
FMO	7,500,000	1,000,000	1,000,000	EUR	Linear	2031	2027	EURIBOR + 3.50%
BII & SwedFund	15,000,000	2,000,000	2,000,000	EUR	Linear	2031	2027	EURIBOR + 2.75%
	25,000,000	**5,500,000**	**5,500,000**					

The interest-bearing loans are discounted as per the interest percentage payable on the loans and, as such, are measured at amortized cost.

Financial covenants		Calculation 31.12.2022	Calculation 31.12.2023	Status
(a)	**The Company shall ensure that it is in compliance with the following financial covenants immediately prior to the first Loan being made under this Agreement and at all times after the first Loan is made under this Agreement:**			
(i)	the ratio of Senior Debt to Total Equity plus Total Subordinated Debt as at the last day of each Relevant Period shall not be more than 3.00:1;	0.28	0.23	OK
(ii)	the ratio of Current Assets to Current Liabilities as at the last day of each Relevant Period shall not be less than 1.50:1;	77.29	44.18	OK
(iii)	the Solvency Ratio shall be no less than 15 per cent;	56.33%	60.7%	OK
(iv)	the total aggregate open Foreign Currency Exposures of the Company as at the last day of each Relevant Period shall not exceed Total Equity plus Total Subordinated Debt by more than 4.00:1;	0.79	0.78	OK
(v)	Non-Performing Loans must not exceed 8 per cent. of the Total Loans and Advances in respect of each Relevant Period;	6.35%	10.75%	BREACH
(vi)	Exposure of the Company to a single healthcare provider must not exceed EUR 2,500,000 (or its equivalent); and	737,615	636,531	OK
(vii)	when there is a projected operating deficit of Stichting MCF, committed grant capital for management costs must be greater than or equal to 1.25 times the projected operating deficit per current year budget.	1.25	1.25	OK
(b)	**The Company shall ensure that it is in compliance with the following financial covenants at all times after the first Loan is made under this Agreement:**			
(i)	Cash must be at least 5 per cent of Total Assets in each case as at the last day of each Relevant Period;	52%	44%	OK
(ii)	the ratio of Average Cash to Senior Debt Service in respect of each Relevant Period must not be less than 1.25:1;	98	86	OK
(iii)	Junior Subordinated Debt plus Total Equity at the last day of each Relevant Period must be no less than EUR 2,500,000; and	9,767,004	11,360,193	OK
(iv)	Capitalisation – the aggregate of Total Equity, Total Subordinated Debt and unsubordinated debt must not exceed EUR 60,000,000 during the Availability Period.	12,767,004	14,360,193	OK
(c)	**The Company shall ensure that it is in compliance with the following financial covenants at all times after the date falling 12 months after the first Loan is made under this Agreement:**			
(i)	any single open Foreign Currency Exposure must be less than 50% of Total Assets in respect of the Relevant Period set out in the first column below:	45%	36%	OK
(ii)	the weighted average life of the loan portfolio must not be more than five years;	0.9	0.3	OK
(iii)	credit risk Exposure to unsecured loans must not exceed 20 per cent of total credit risk Exposure; and	18%	6%	OK
(iv)	the Company's risk Exposure within a single country must not exceed 70 per cent of the total Company's risk Exposure at all times during the Availability Period and must not exceed 50 per cent of the total Company's risk Exposure thereafter.	45%	43%	OK

6. Other current liabilities and accruals

EUR	2023	2022
Accounts payable	99,074	108,619
Accrued Interest	17,360	14,504
Accrued expenses	112,553	11,476
Provision for Taxation	-	-
Other current liabilities and accruals	**228,987**	**134,599**

Accounts payable consists of EUR 85k payable to the Fund Manager, Stichting Medical Credit Fund.

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.

EUR

Financial Assets	< 1 year	1-5 years	> 5 years
31 December 2022			
Gross outstanding loans	5,132,470	2,265,315	426,675
Interest receivable on gross outstanding loans	779,630	1,241,766	65,934
Other receivables, prepayments and accrued income	772,129	-	-
Cash and cash equivalents	4,983,286	-	-
TOTAL	**11,667,516**	**3,507,080**	**492,609**

Financial Liabilities	< 1 year	1-5 years	> 5 years
31 December 2022			
Interest bearing liabilities	-	-	2,500,000
Interest payable on interest bearing liabilities	349,790	1,387,000	465,750
Other current liabilities and accruals	134,599	-	-
TOTAL	**484,389**	**1,387,000**	**2,965,750**

Off Balance sheet	< 1 year	1-5 years	> 5 years
31 December 2022			
Gross Undrawn Loan Commitments	627,939	-	-
TOTAL	**627,939**	**-**	**-**

EUR			
Financial Assets	**< 1 year**	**1-5 years**	**> 5 years**
31 December 2023			
Gross outstanding loans	5,027,364	2,339,202	528,561
Interest receivable on gross outstanding loans	884,727	1,771,925	301,812
Other receivables, prepayments and accrued income	1,064,456	-	-
Cash and cash equivalents	6,451,890	-	-
TOTAL	**13,428,437**	**4,111,128**	**830,373**
Financial Liabilities	**< 1 year**	**1-5 years**	**> 5 years**
31 December 2023			
Interest bearing liabilities	-	-	2,500,000
Interest payable on interest bearing liabilities	378,700	1,277,720	254,310
Other current liabilities and accruals	228,986	-	-
TOTAL	**607,686**	**1,277,720**	**2,754,310**
Off Balance sheet	**< 1 year**	**1-5 years**	**> 5 years**
31 December 2023			
Gross Undrawn Loan Commitments	326,673	-	-
TOTAL	**326,673**	**-**	**-**

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.

EUR

Financial Assets	Carrying value	Fair Value	Level 1	Level 2	Level 3	Measurement	Key Input
31 December 2022							
Outstanding Loans	7,146,187	7,233,363	-	-	7,233,363	*Discounted Cash Flow*	*Discount Rate, Cash Flows*
Other receivables, prepayments and accrued income	772,129	772,129	-	772,129	-	*Discounted Cash Flow*	
Cash Position	4,983,286	4,983,286	4,983,286	-	-	*Discounted Cash Flow*	
TOAL	**12,901,602**	**12,988,778**	**4,983,286**	**772,129**	**7,233,363**		

Financial Liabilities	Carrying value	Fair Value	Level 1	Level 2	Level 3	Measurement	Key Input
31 December 2022							
Interest Bearing Liabilities	5,500,000	5,500,000	5,500,000	-	-	*Discounted Cash Flow*	
Other current liabilities and accruals	134,599	134,599		134,599	-	*Discounted Cash Flow*	
TOTAL	**5,634,599**	**5,634,599**	**5,500,000**	**134,599**	**-**		

Financial Assets	Carrying value	Fair Value	Level 1	Level 2	Level 3	Measurement	Key Input
31 December 2023							
Outstanding Loans	7,021,120	5,301,991	-	-	5,301,991	*Discounted Cash Flow*	*Discount Rate, Cash Flows*
Other receivables, prepayments and accrued income	1,064,456	1,064,456	-	1,064,456	-	*Discounted Cash Flow*	
Cash Position	6,451,890	6,451,890	6,451,890	-	-	*Discounted Cash Flow*	
TOTAL	**14,537,466**	**12,818,337**	**6,451,890**	**1,064,456**	**5,301,991**		

Financial Liabilities	Carrying value	Fair Value	Level 1	Level 2	Level 3	Measurement	Key Input
31 December 2023							
Interest Bearing Liabilities	5,500,000	5,500,000	5,500,000	-	-	*Discounted Cash Flow*	
Other current liabilities and accruals	228,986	228,986	-	228,986	-	*Discounted Cash Flow*	
TOTAL	**5,728,986**	**5,728,986**	**5,500,000**	**228,986**	**-**		

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 at 31 December 2023.

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 amortized cost and not at fair value after initial recognition. All interest-bearing liabilities are at floating rates based on externally observable EURIBOR. Management deems that amortized cost approximates fair value. Other receivables, prepayments and accrued income and other current liabilities and accruals are recognized at their transaction price or nominal value which as they are short term in nature, approximates their fair value. No financial assets or liabilities were reclassified to another level during 2023.

9. Off-balance sheet disclosure

Committed Undrawn Credit Facilities to Borrowers

The table below reflects undrawn credit facilities which have been committed to borrowers. In accordance with IFRS 7 we disclose committed undrawn credit facilities as unrecognized financial instruments.

EUR	2023	2022
Gross Undrawn Loan Commitments	326,673	627,939
Expected Credit Loss on Undrawn Loan Commitments	75,505	24,002
UNDRAWN LOAN COMMITMENTS NET OF EXPECTED CREDIT LOSSES	**251,168**	**603,937**

NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

10. Interest income on loan portfolio

EUR	2023	2022
Tanzania	164,891	96,746
Kenya	1,613,155	1,046,545
Ghana	371,016	488,734
Uganda	11,191	-
	2,160,253	**1,632,025**

EUR 1,343,835 (2022: EUR 909,311) 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	2023	2022
Interest on borrowings	(371,992)	(172,149)
Negative interest on cash	3,239	(11,555)
	(368,753)	**(183,704)**

Refer Note 5 for further information on Borrowings.

12. Fee income on loan portfolio

EUR	2023	2022
Tanzania	16,526	12,832
Kenya	257,115	222,329
Ghana	21,786	22,678
Uganda	428	
	295,855	**257,839**

Fee income comprises loan origination fees GLs which are capitalized to the loan balances and amortized to the income statement over the life of the loans. EUR 234,720 (2022: EUR196,587) 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

2022	Kenya - KES	Ghana - GHS	Tanzania - TZS	United States - USD	Total
Foreign exchange result - Realized	(11,406)	7,996	21,038	(73)	17,555
Foreign exchange result - Unrealized	193,948	971,480	(8,228)	(1,137)	1,156,063
	182,542	**979,476**	**12,810**	**(1,210)**	**1,173,619**

2023	Kenya - KES	Ghana - GHS	Tanzania - TZS	United States - USD	Total
Foreign exchange result - Realized	36,454	98,871	3,145	5,009	143,479
Foreign exchange result - Unrealized	441,634	1,386,769	65,369	(21,823)	1,871,949
	478,088	**1,485,640**	**68,514**	**(16,814)**	**2,015,428**

The foreign exchange loss of EUR 2,015,428 is mostly attributable to foreign exchange losses on devaluation of the Ghanian Cedi (GHS) against the EURO of approximately 17% during 2023.

14. Other loan portfolio costs

EUR	2023	2022
Guarantee fee	(17,312)	(8,026)
Loan Portfolio costs	(29,322)	(3,027)
	(46,634)	**(11,053)**

MCF II incurs a guarantee fee on credit guarantees received. Guarantee fees are expensed in the period in which they are incurred. Refer to Note 1.5 for further information.

15. Operating expenses

EUR	2023	2022
Legal costs	(19,408)	(13,420)
Audit fee	(76,143)	(26,493)
Bank charges	(11,197)	(8,133)
Other Operating expenses	(47,798)	(1,097)
	(154,546)	**(49,143)**

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 2023.

The audit fees relate solely to the audit of the financial statements. The audit fees of EUR 76,143 relate to the total fees for the audit of the financial statements 2023 (2022: 26,493), irrespective of whether the activities have been performed during the financial year 2023.

16. Fund Management fee

EUR	2023	2022
Fund management fee	(343,527)	(276,405)
	(343,527)	**(276,405)**

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	2023	2022
Corporation income tax - current year	302,270	114,010
	302,270	**114,010**

Management has raised a receivable for corporation income tax receivable in the Netherlands calculated as the standards rate of corporation tax (25%) applied to the reported net profit before tax. A deferred tax asset has been recognized based on the expectation that sufficient taxable profits will be available in future periods to utilize the deductible temporary differences and tax losses carried forward.

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	2023	2022
Outstanding balances		
Accounts payable - Stichting Medical Credit Fund	~~84,960~~172,037	77,804
TOTAL OUTSTANDING BALANCES	**84,960**	**77,804**
Transactions		
Fund management fee - Stichting Medical Credit Fund	343,527	(276,405)
Incorporation costs - Stichting Medical Credit Fund	-	-
TOTAL TRANSACTIONS	**343,527**	**(276,405)**
Capital contributions		
Stichting Health Insurance Fund	2,500,000	-
Stichting Medical Credit Fund	-	-
	2,500,000	**-**

19. Derivatives

Derivative	Trade Date	Maturity Date	Underlying value (KES)	Underlying value (EUR)	Value 31-Dec-2023 (EUR)
FX Forward	5-Oct-23	5-Oct-26	3,670,000,000	1,133,068	(51,714)
			3,670,000,000	**1,250,499**	**(51,714)**
				Total on Balance Sheet (EUR)	**(51,714)**

Other notes

Number of employees

The average number of employees on the MCF II payroll during the financial year 2023 is nil (2022: nil). MCF II is represented by employees from the Fund Manager.

Remuneration Management Board, Director and Supervisory Board

The remuneration of the Management Board during the financial year 2023 is nil (2022: nil). MCF II is represented by the Management Board of the Fund Manager. Stichting Medical Credit Fund receives a fund management fee as remuneration for its services as director and fund manager (refer Note 16). There is no remuneration for the supervisory board, PharmAccess Group Foundation. The Management Board Stichting Medical Credit Fund, the Director and Supervisory Board are considered to be key management personnel.

Subsequent events

There are no events that have occurred after the balance sheet date and that have significant financial consequences on the amounts presented and disclosed in the financial statements and accompanying notes.

Result appropriation for the year

The result for the year has been a loss of nine hundred six thousand eight hundred eleven EURO (EUR (906,811)) which has been attributed to retained earnings. There is no requirement for members to contribute additional capital in the event of a deficit in the Fund. There is no appropriation of the result to members as the Fund has a retained loss.

Signing of the Financial Statements

By: management board members

Signed on the original: A.W. Poels, Managing Director

Signed on the original: H.J. van Eeten, Interim Finance Director

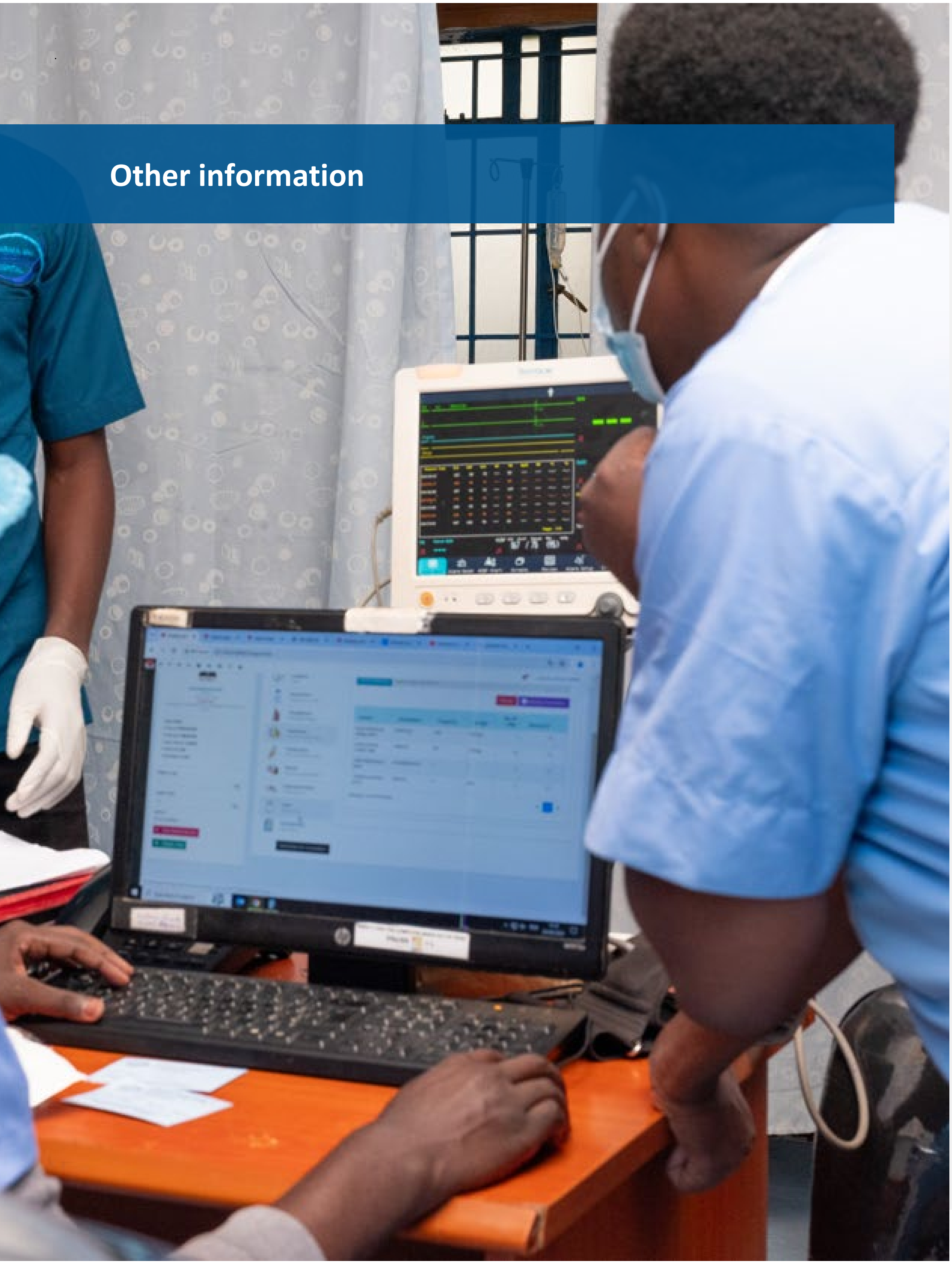
Signed on the original: D. Mulder, Investment Director

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

Signed on the original: A.W. Poels

Amsterdam, The Netherlands, August 9, 2024

Other information



Independent auditor's report

Reference is made to the independent auditor's report as included hereinafter.

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Field Code Changed

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