

Financial Statements and Independent Auditor's Report
Yemen Loan Guarantee (YLG) Program
December 31, 2023



Yemen Loan Guarantee (YLG) Program

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Independent Auditor's Report

To: **The Steering Committee**
Yemen Loan Guarantee Program
Sana'a - Republic of Yemen

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Report on the audit of financial statements

Opinion

We have audited the financial statements of **Yemen Loan Guarantee Program "YLG"**, which comprise the statement of financial position as at December 31, 2023, and the statement of activities and statement of cash flows for the year then ended, including a summary of significant accounting policies, and notes to the financial statements (1 - 20).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Program as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the relevant Yemeni laws and regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Financial Statements*" section of our report. We are independent of the Program in accordance with International Ethics Standards Board for Accountants' "*International Code of Ethics for Professional Accountants*" (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to note No. (19) to the financial statements related to the political crisis, economic situation and current security events in the Republic of Yemen, which indicate the existence of uncertainty about the improvement of the political situation that may cast significant doubts about the Program's ability to continue as a going concern in case of the continuation of these circumstances. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of **Yemen Loan Guarantee Program "YLG"** for the year ended December 31, 2022, were audited by another auditor who expressed an unqualified opinion on those statements on June 22, 2023.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of the Program is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the relevant Yemeni laws and regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (Continued)

**To: The Steering Committee
Yemen Loan Guarantee Program
Sana'a - Republic of Yemen**

In preparing the financial statements, management is responsible for assessing the Program's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Program or to cease operations, or has no realistic alternative but to do so.

The Steering Committee is responsible for overseeing the Program's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Program's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Program to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report (Continued)

To: The Steering Committee
Yemen Loan Guarantee Program
Sana'a - Republic of Yemen

Report on Other Legal and Regulatory Requirements

We have obtained from management the information and clarifications that we deemed necessary for our audit. The Program keeps proper books of account, and the accompanying financial statements are in agreement with these books. Furthermore, we are not aware of any material violation of the Establishment Decree of Program No. (1) of 2017.



Sana'a - Republic of Yemen
June 10, 2024

Yemen Loan Guarantee Program

Statement of financial position

As at December 31, 2023

	Notes	Dec. 31, 2023 YR	Dec. 31, 2022 Restated YR
Assets			
Current assets			
Cash and cash equivalents	4	840,985,810	5,252,685,999
Short term investments	5	4,305,000,000	-
Prepayments and other assets	6	49,423,710	74,297,870
Total current assets		5,195,409,520	5,326,983,869
Non-current assets			
Property and equipment	7	21,393,863	9,369,064
Total non-current assets		21,393,863	9,369,064
Total assets		5,216,803,383	5,336,352,933
Liabilities and net assets			
Current liabilities			
Payables and accrued expenses	8	33,809,605	56,557,029
Provisions	9	382,097,725	103,086,297
Conditional contributions	10	3,538,562,654	3,453,762,062
Total current liabilities		3,954,469,984	3,613,405,388
Non-current liabilities			
Payables and accrued expenses	8	6,497,852	-
Total non-current liabilities		6,497,852	-
Total liabilities		3,960,967,836	3,613,405,388
Net assets			
Capital	11	500,000,000	500,000,000
Accumulated surplus		755,835,547	1,222,947,545
Total net assets		1,255,835,547	1,722,947,545
Total liabilities and net assets		5,216,803,383	5,336,352,933

Finance Manager

Managing Director

Mr. Mohammed Ahmed Al-Ahdal



Mr. Rami Mahmoud Al-Sabri

The accompanying notes from (1) to (20) form an integrated part of these financial statements

Yemen Loan Guarantee Program

Statement of activities

For the year ended December 31, 2023

	Notes	2023 YR	2022 Restated YR
Revenue			
Contributions	12	295,338,575	391,577,730
Guarantee issuance fees	13	27,580,705	66,927,935
Other revenue	14	84,996,924	301,196,375
Total revenue		407,916,204	759,702,040
Expenses			
Operating and administrative expenses	15	(317,566,095)	(318,287,998)
Default guarantee expenses	9	(439,994,850)	(55,317,949)
Annual leave expenses	9	(3,177,637)	-
Depreciation	7	(10,085,023)	(15,115,273)
Total expenses		(770,823,605)	(388,721,220)
Other gains and losses			
Exchange rate differences		(103,730,795)	(93,506,622)
Lease financing costs		(473,802)	(449,600)
Net (deficit) surplus for the year		(467,111,998)	277,024,598
Accumulated surplus at the beginning of the year		1,222,947,545	854,380,250
Adjustments	16	-	91,542,697
Accumulated surplus at the end of the year		755,835,547	1,222,947,545
Capital		500,000,000	500,000,000
Net assets at end of the year		1,255,835,547	1,722,947,545

Finance Manager

Managing Director

Mr. Mohammed Ahmed Al-Ahdal

Mr. Rami Mahmoud Al-Sabri



The accompanying notes from (1) to (20) form an integrated part of these financial statements

Yemen Loan Guarantee Program

Statement of cash flows

For the year ended December 31, 2023

	2023 YR	2022 Restated YR
Operating activities		
Net (deficit) surplus for the year	(467,111,998)	277,024,598
Adjustments on:		
Depreciation of property and equipment	10,085,023	15,115,273
Lease financing costs	473,802	449,600
Exchange rate on disposals of right for use assets	520,428	-
Provision for defaulted guarantees	439,994,850	55,317,949
Provisions for annual leave	3,177,637	-
Provisions recovered	-	(114,269,677)
Provisions exchange rate differences	(32,592)	(200,030)
Adjustment on accumulated surplus	-	91,542,697
(Deficit) surplus before changes in working capital	(12,892,850)	324,980,410
Changes in:		
Prepayments and other assets	24,874,160	(17,358,963)
Payables and accrued expenses	(16,723,374)	44,088,994
Provisions	(164,128,467)	(68,325,651)
Conditional contributions	84,800,592	603,652,973
Net cash (used in) from operating activities	(84,069,939)	887,037,763
Investing activities		
Acquisitions of property and equipment	(22,630,250)	(3,096,898)
Short term investments	(4,305,000,000)	-
Net cash used in investing activities	(4,327,630,250)	(3,096,898)
Financing activities		
Payment of lease liabilities	-	(7,415,200)
Net cash used in financing activities	-	(7,415,200)
Net change in cash and cash equivalents	(4,411,700,189)	876,525,665
Cash and cash equivalents at the beginning of the year	5,252,685,999	4,376,160,334
Cash and cash equivalents at the end of the year	840,985,810	5,252,685,999

Finance Manager

Mr. Mohammed Ahmed Al-Ahdal

Managing Director

Mr. Rami Mahmoud Al-Sabri



The accompanying notes from (1) to (20) form an integrated part of these financial statements

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

1. Overview

Yemen Loan Guarantee Program (YLG) is a not-for-profit program established on July 16, 2017. The Program was established per the administrative decree No (1) of 2017 issued by the CEO of Social Fund for Development in accordance with its regulations.

The Program's activities are supervised by the Steering Committee of SFD, headed by the SFD Executive Director and the membership of some of SFD managers and employees.

The address of the Program is Nouakchott Street, behind the Supreme Commission for Election and Referendum- Sana'a Yemen Republic.

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The Program main objective is to facilitate financial access for SMEs through the provision of partial loan guarantees to those with insufficient collateral.

The Program strategically aims to:

- Improve the SMEs' economic status.
- Support the expansion and growth of the small and microfinance sector.
- Pioneer a loan guarantee experience for SMEs based on international best practices.
- Establish a more trust-based credit culture in the small and microfinance sector.

2. New or revised standards or interpretations

2.1 The Standards are effective for reporting periods beginning on or after 1 January 2023.

It may be possible to apply these changes early depending on local legislation and the requirements of the particular change in concern. The Standard and Amendments are:

1. Insurance Contracts, including:
 - Amendments to IFRS 17.
 - Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4).
 - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17).
2. Deferred Tax Relating to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
3. Definition of Accounting Estimates (Amendments to IAS 8).
4. Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2).
5. International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12).

These amendments have no material impact on the entity's financial statements. Accordingly, the Management did not make any changes to its accounting policies in 2023. Below is information on these new standards/amendments:

Standard	Subject	IASB's Summary of the Amendment
IFRS 17 'Insurance Contracts'	Insurance Contracts including the Extension of the Temporary Exemption from Applying IFRS 9	After concerns raised by stakeholders, in June 2020 the IASB issued 'Amendments to IFRS 17' (the Amendments). The amendments aimed to address these concerns and help entities to more easily transition and implement the Standard.

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

Standard	Subject	IASB's Summary of the Amendment
		The amendments defer the effective date of IFRS 17 by two years from annual reporting periods beginning on or after 1 January 2021 to annual reporting periods beginning on or after 1 January 2023. The amendments also extend the temporary exemption (included in IFRS 4) from IFRS 9 by two years so that an entity applying the exemption would be required to apply IFRS 9 for annual reporting periods beginning on or after 1 January 2023.
IFRS 17 'Insurance Contracts'	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	<p>IFRS 17 and IFRS 9 'Financial Instruments' have different transition requirements.</p> <p>For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors.</p>
IFRS 12 'Disclosure of Interests in Other Entities'	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendments require an entity to recognise deferred tax on certain transactions (e.g. leases and decommissioning liabilities) that give rise to equal amounts of taxable and deductible temporary differences on initial recognition
IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Definition of Accounting Estimates	The amendments include a definition of 'accounting estimates' as well as other amendments to IAS 8 that will help entities distinguish changes in accounting policies from changes in accounting estimates. This distinction between these two types of changes is important as changes in accounting policies are normally applied retrospectively to past transactions and events, whereas changes in accounting estimates are applied prospectively to future transactions and events.
IAS 1 'Presentation of Financial Statements'	Disclosure of Accounting Policies	The amendments to IAS 1 require reporting entities to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 guide on how to apply the concept of materiality to accounting policy disclosures.

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

2.2 Standards, amendments, and interpretations to existing standards that are not yet effective and have not been adopted early by the Entity

At the date of authorization of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Entity as follows:

Standard	Title of Standard or Interpretation	Effective for Accounting Periods Beginning on or After
IAS 1 'Presentation of Financial Statements'	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 01, 2024
IAS 16 'Property, Plant and Equipment'	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 01, 2024
IAS 1 'Presentation of Financial Statements'	Non-current Liabilities with Covenants (Amendments to IAS 1)	January 01, 2024
IAS 7 'Cash flow Statements' and IFRS 7 Financial Instruments: Disclosures	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 01, 2024
IAS 21 'The Effects of Changes in Foreign Exchange Rates'	Lack of Exchangeability (Amendments to IAS 21)	January 01, 2025

Management anticipates that all relevant pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments are not expected to have a material impact on the entity's financial statements.

3. Significant accounting policies

3.1 Basis of compliance

The financial statements of Yemen Loan Guarantee Program have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the relevant Yemeni laws and regulations. The financial statements have been prepared under the assumption that the Program operates on a going concern basis.

3.2 Basis of measurement

The program's financial statements were prepared on a historical cost basis, except for some financial instruments that were measured at fair value. The program maintains its accounting records in Yemeni Riyals.

3.3 Significant accounting estimates and judgments

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain estimates. It also requires management to exercise its judgement in the process of applying the Program's accounting policies.

3.4 Functional currency and presentation method

The financial statements are prepared and presented in Yemeni Riyals (the program's functional currency) and all values are shown to the nearest Yemeni Riyals (unless otherwise indicated).

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

3.5 Summary of significant accounting policies

3.5.1 Revenue

3.5.1.1 Contributions

Contributions are classified as:

- Conditional - contributions that contain donor-imposed conditions.
- Unconditional - contributions that do not contain donor-imposed conditions.

Unconditional contributions, including unconditional promises to give, are recognized as revenues in the period received/promised and are reported as increases in net assets.

Conditional contributions are not recognized until the conditions are satisfied or when the likelihood of not meeting the conditions is remote. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Conditional contributions received in advance are recorded as liabilities and are transferred to revenue when conditions are satisfied.

Revenues from sources other than contributions are generally reported as increases in revenues. Contributions of property and equipment without donor-imposed conditions concerning the use of such long-lived assets are reported as unconditional contributions. Contributions of cash or other assets to be used to acquire property and equipment in general (without conditions) are reported as unconditional revenues.

3.5.1.2 Guarantee fees

Yemen Loan Guarantee Program engages in loan individual guarantee schemes whereby YLG partially guarantees a single loan made by a Partner Microfinance Institution to a single borrower whose identity is known. The individual loan has a maximum tenor of 2 years and ranges between YR 100,000 and YR 15,000,000. In addition, YLG has engaged recently in collective portfolio guarantees whereby YLG partially guarantees collective loan portfolios made by a Partner Microfinance Institution.

YLG charges guarantee fees on Microfinance Institutions for each loan guaranteed. The amount is recognized when the guarantee is issued and paid up within 30 days from the day of issuance. YLG is not obliged to return part of the fees if the amount of the loan is paid by the borrower before the due date or if the borrower defaults on payment. The fee was 1.5% for Basic Products and 5% for VOLIP Products for the period from January 2021 until August 2021. The fee changed to 1% for Basic Products and 5% for VOLIP Products, the situation remained as is during the years 2022 and 2023.

YLG charges establishing fees on Microfinance Institutions for each loan portfolio guaranteed. The amount is recognized when the agreement is signed and due for payment on the day of agreement. The establishing fee is 0.5% and the guarantee coverage is 70% - 90% of the active financing (principal and Murabaha) of qualifying individual loans up to the guarantee ceiling stipulated in the agreement.

The guarantee coverage of Basic Loans ranges between 50% and 80% of the total amount of loan including Murabaha during 2021 (between 50% and 90% During 2022 - 2023) and VOLIP loans are covered by the total loan amount.

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

The following table summarizes the products provided along with the guarantee coverage and the desired guarantee fee percentage for individual loan guarantee scheme:

Loan category	Guarantee coverage	Guarantee fee
Basic Project	50% - 70%	1%
Youth Empowerment Product	80%	1%
Women Empowerment Product	80%	1%
Geo-spread	70%	1%
VOLIP Product	100%	5%

3.5.1.3 Returns on investment

YLG has Islamic deposits (with unspecified rate of return) with the Commercial Bank of Yemen, the Bank of Yemen and Kuwait, and Al-Amal Microfinance Bank, from October 2023 until October 2024, renewable annually by agreement between the two parties, and profits are due annually.

3.5.2 Cash and cash equivalents

Cash and cash equivalents consist cash on hand, current accounts and any investments with maturities of three months or less from the depositing date, which are considered high liquidity convertible to cash of a known value and not subject to the risk of change in value.

3.5.3 Property and equipment

Property and equipment are initially recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful life as follows:

Asset	%
Electrical equipment	25 %
Furniture and fixtures	25 %
Computers and related equipment	50 %

3.5.4 Provisions

3.5.4.1 Provision for defaults on loans guaranteed

The Program calculates a provision for the defaulted guarantee for 100% of customers who are in arrears for 120 days, since when 120 days are met without payment, the financing institution is entitled to compensation. The table below shows the outstanding balances of provided guarantees as at December, 31, 2023.

Loan Category	Issued Loan Guarantees for Basic Products 2023 YR	Issued Loan Guarantees for VOLIP Products 2023 YR	Issued Loan Guarantees for PORTFOLIO Products 2023 YR	Total YR
Balances at January 1, 2023	2,395,257,448	315,683,182	1,877,311,106	4,588,251,736
Issued loan guarantees during the year	2,289,042,374	375,287,000	1,666,716,148	4,331,045,522
Recovered loan guarantees during the year	(2,800,183,859)	(448,610,826)	(2,957,255,652)	(6,206,050,337)
Defaults during the year	(143,972,174)	(1,166,641)	(17,518,687)	(162,657,502)
Balances at December 31, 2023	1,740,143,789	241,192,715	569,252,915	2,550,589,419

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

3.5.4.2 Provision for annual leaves

The annual leaves provision is calculated based on the employees' remaining leave balance at the end of the year.

3.5.5 Lease contracts

- **The Program as a lessee**

An inception of a contract, the Program assesses whether the contract is, or contains, a lease. The Program recognizes the right-of-use asset and the lease liability on the date when the asset is available for use by the Program (the contract commencement date).

3.5.5.1 Recognition of right-of-use assets

a. The initial measurement

The Program recognizes right-of-use assets at commencement date of the contract lease. Right-of-use assets are measured principally at cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, in addition to the estimate of costs to remove the asset or to restore the site to its original condition, and lease payments made at or before the commencement date less any lease incentives received.

b. Subsequent measurement

The right-of-use assets is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

If there is no reasonable certainty that the Program will obtain ownership of the asset at the end of the lease contract, the right-of-use assets recognized is depreciated on a straight-line basis over the shorter of the lifetime of the asset and the end of lease period.

The right-of-use assets is subject to the impairment test in accordance with IAS No. (36).

3.5.5.2 Recognition of lease liabilities

a. The initial measurement

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the date, and is discounted using the interest rate included in the lease contract. The Program uses the internal cost of borrowing funds as the incremental borrowing rate at the commencement date of the lease if the interest rate implicit in the lease is not readily identifiable.

Lease payments includes fixed payments (including inline fixed payments), less any lease incentives receivable, variable lease payments that are based on an index or a rate, and amounts expected to be payable by the lessee under residual value guarantee. Also, lease payments include the exercise price of a purchase option if the Program is reasonably certain to exercise that option, and payments of penalties for early terminating the lease, if the lease term reflects that the lessee exercises the option to terminate the lease.

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

b. Subsequent measurement

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by lease payments made. The carrying amount of the lease liability is remeasured if there is a lease modification or a change in the lease period, or a change in future lease payments resulting from a change in an index or a rate, if there is a change in the estimate of the amounts expected to be payable under a residual value guarantee, if there is a change in the option to purchase or exercise an option to extend would reasonably be secured or the option to terminate would not be reasonably exercised, if the lease modification is not accounted for as a separate lease.

The Program has elected to apply derecognition of right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The lease payments associated with these contracts are recognized as rent expenses on a straight-line basis over the lease period in the statement of activities.

3.5.6 Foreign currencies

Transactions denominated in foreign currencies are translated into Yemeni Riyal and recorded at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the date of financial statements. All differences are taken to the statement of activities.

4. Cash and cash equivalents

This item consists of the following as of December 31:

	2023	2022
	YR	Restated YR
Bank deposits	-	5,150,406,602
Cash at bank	840,985,810	102,279,397
	840,985,810	5,252,685,999

The amount of the deposits as of December, 31 2022 includes the amounts donated to the Program by the Social Fund for Development either for the purpose of issuing guarantees or to be used as technical support to the Program. Gains from investments are reinvested in the deposits again. The Program has four main deposits agreements. Two agreements with the Yemeni Commercial Bank, one with Alamal Microfinance Bank, and one with Yemen Kuwait Bank.

On March 22, 2023, Law No. 4 of 1444 Hijri was issued to prevent usurious transactions. This law entails the prohibition of interest in all its forms and this led banks to stop calculating interest on all deposits, including the Program deposits. Subsequently during the year 2023, the Program turned to investment in Islamic deposits (with unspecified rate of return) with the Commercial Bank of Yemen, the of Yemen Kuwait Bank, and Alamal Microfinance Bank, beginning from October 2023 (Note No. 5).

5. Short term investments

This item consists of the following as at December 31:

	2023	2022
	YR	Restated YR
Banks deposits	4,305,000,000	-
	4,305,000,000	-

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

6. Prepayments and other assets

This item consists of the following as at December 31:

	Note	2023 YR	2022 Restated YR
Investment returns receivable		34,964,203	22,353,123
Guarantee fees receivable	6.1	7,256,106	44,551,260
Prepaid insurance		4,411,249	4,185,000
Stationery and cleaning inventory		1,970,431	2,140,989
Others		821,721	1,067,498
		49,423,710	74,297,870

6.1 Guarantee fees receivable

This item consists of the following as at December 31:

	2023 YR	2022 Restated YR
Basic programs		
Nama'a Microfinance Foundation	2,139,467	2,302,694
Hadhramout Microfinance Program	1,261,397	323,120
Al-Itihad Microfinance Program	912,243	5,500,020
Al-Kuraimi Microfinance Bank	902,055	1,665,284
Yemen Kuwait Bank	849,180	9,219,248
Azal Microfinance Program	845,580	2,896,875
Shamil Bank of Yemen and Bahrain	218,171	442,573
National Microfinance Foundation	88,106	5,114,249
Themar Microfinance Foundation	36,383	-
Al-Amal Microfinance Bank	6,295	6,295
Al-Tadhamon Microfinance Program*	(2,771)	17,043,092
Yemen Kuwait Islamic Bank	-	37,810
	7,256,106	44,551,260

* This amount represents payments received from Al-Tadhamon Microfinance Program exceed the due balance.

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

7. Property, plant and equipment

This item consists of the following as of December 31:

	Furniture and Fixtures YR	Computers and Related Equipment YR	Electrical Equipment YR	Right of Use Assets YR	Total YR
Cost					
Balance at January 1, 2023 (Restated)	12,205,660	20,427,972	18,620,544	14,690,807	65,944,983
Additions for the year	-	-	171,000	22,459,250	22,630,250
Disposals for the year	-	-	-	(13,154,400)	(13,154,400)
Exchange rate differences	-	-	-	(1,536,408)	(1,536,408)
Balance at December 31, 2023	12,205,660	20,427,972	18,791,544	22,459,249	73,884,425
Accumulated depreciation					
Balance at January 1, 2023 (Restated)	11,023,244	18,030,491	17,736,605	9,785,579	56,575,919
Depreciation for the year	900,118	2,235,635	75,130	6,874,140	10,085,023
Disposals for the year	-	-	-	(13,154,400)	(13,154,400)
Exchange rate differences	-	-	-	(1,015,980)	(1,015,980)
Balance at December 31, 2023	11,923,362	20,266,126	17,811,735	2,489,339	52,490,562
Carrying amount at December 31, 2023	282,298	161,846	979,809	19,969,910	21,393,863
Cost					
Balance at January 1, 2022	11,542,460	18,764,016	17,850,803	14,690,807	62,848,086
Additions for the year	663,200	1,663,956	769,741	-	3,096,897
Balance at December 31, 2022 (Restated)	12,205,660	20,427,972	18,620,544	14,690,807	65,944,983
Accumulated Depreciation					
As at January 1, 2022	9,858,935	14,792,641	14,104,691	2,704,379	41,460,646
Depreciation for the year	1,164,309	3,237,850	3,631,914	7,081,200	15,115,273
Balance at December 31, 2022 (Restated)	11,023,244	18,030,491	17,736,605	9,785,579	56,575,919
Carrying amount at December 31, 2022 (Restated)	1,182,416	2,397,481	883,939	4,905,228	9,369,064

Yemen Loan Guarantee Program

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For the year ended December 31, 2023

8. Payables and accrued expenses

This item consists of the following as of December 31:

	Notes	2023 YR	2022 (Restated) YR
Current:			
Murabaha fees payable - VOLIP program	8.2	14,168,000	34,417,800
Social security payable		-	9,145,726
Lease liabilities	8.1	8,190,000	-
Amounts due to Social Fund for Development - health and life insurance paid by the SFD on behalf of the program		5,881,663	4,444,794
Audit fee		2,052,750	1,088,100
Accrued consultants' fees		1,823,392	-
Salary payable		1,379,201	1,119,789
Payroll tax payable		314,599	6,340,820
		33,809,605	56,557,029
Non-current:			
Lease liabilities	8.1	6,497,852	-
		6,497,852	-
		40,307,457	56,557,029

8.1 Lease liabilities

This item consists of the following as of December 31:

	2023 YR	2022 Restated YR
Balance at January 1	-	7,415,200
Additions	14,214,050	-
Lease financing cost	473,802	449,600
Rent payments/ accrued	-	(439,800)
Exchange rate differences	-	(7,425,000)
Balance at December 31	14,687,852	-

8.2 Murabaha fees payable - VOLIP program

This item consists of the following as of December 31:

	2023 YR	2022 Restated YR
Nama Microfinance Foundation	8,467,500	1,707,500
National Microfinance Foundation	5,100,000	7,900,000
Al-Etihad Microfinance Program	600,500	18,560,300
Azal Microfinance Program	-	6,250,000
	14,168,000	34,417,800

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For the year ended December 31, 2023

9. Provisions

The movement of provisions as follows for the year ended December 31:

	Provision for Defaults on Loans Guaranteed YR	Provision for Annual Leaves YR	Provision for End of Service YR	Total YR
Balance at January 1, 2023 (Restated)	101,582,739	71,697	1,431,861	103,086,297
Amount recovered from provisions	-	-	-	-
Amount created for the year	439,994,850	3,177,637	-	443,172,487
Amount used during the year	(162,657,501)	(69,898)	(1,401,068)	(164,128,467)
Exchange rate differences	-	(1,799)	(30,793)	(32,592)
Balance at December 31, 2023	378,920,088	3,177,637	-	382,097,725
Balance at January 1, 2022	227,522,003	1,507,199	1,534,504	230,563,706
Amount recovered from provisions	(113,000,975)	(1,268,702)	-	(114,269,677)
Amount created for the year	55,317,949	-	-	55,317,949
Amount used during the year	(68,256,238)	(69,413)	-	(68,325,651)
Exchange differences	-	(97,387)	(102,643)	(200,030)
Balance at December 31, 2022 (Restated)	101,582,739	71,697	1,431,861	103,086,297

10. Conditional contributions

This item consists of the following as of December 31:

	2023 YR	2022 Restated YR
SFD - Portfolio Program	2,582,160,919	2,243,885,819
SFD – FCDO	763,974,225	966,451,125
SFD - VOLIP Program	180,722,635	243,425,118
SFD - Operating expenses	11,704,875	-
	3,538,562,654	3,453,762,062

11. Capital

This amount represents the amount of capital transferred by the Social Fund for Development (SFD) to the Program in accordance with the SFD's Administrative Decree No. (1) establishing the Program.

12. Contributions

This item consists of the following for the year ended December 31:

	2023 YR	2022 Restated YR
SFD - FCDO	135,323,795	51,823,725
SFD - VOLIP Program	105,566,691	129,314,632
SFD - Portfolio Program	54,448,089	23,410,389
SFD - Operating expenses	-	187,028,984
	295,338,575	391,577,730

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Contributions to cover defaults on the basic product (FCDO)

During 2021, YLG signed an agreement with the Social Fund for Development (SFD) with an amount of USD 2,000,000 to issue guarantees to owners of small and micro enterprises, with a number of at least 1,392 guarantees for three years.

VOLIP Program

YLG previously signed an agreement with the Social Fund for Development (SFD) to implement two components of the VOLIP (Vocational Literacy Program for Poverty Reduction) program: Capacity Building component and Loan Guarantee component. According to the agreement, YLG fully guaranteed loans made by Microfinance Institutions to individuals. In exchange, YLG received 5% as a guarantee fee on the original amount of the loan (without Murabaha). In 2021, the program signed a new agreement with Social Fund for Development (SFD) with an amount of USD 176,446 to guarantee 82 additional cases, During the year 2023, the program signed a new agreement with the Social Fund for Development in the amount of USD 100,000 to guarantee 165 additional cases. YLG received 5% as a guaranteed fee on the original amount of the loan (without Murabaha). In addition, YLG received 10% of the total amount to cover overhead.

Portfolio Program

In 2021, YLG signed an agreement with the Social Fund for Development (SFD) with an amount of USD 2,100,000 to implement the Portfolio Program. According to the agreement, the program will partially guarantee portfolio of loans made by microfinance institutions to individuals. In exchange, YLG received USD 100,000 from SFD to cover the operating expenses. During the year 2022, YLG signed an additional agreement with the Social Fund for Development with an amount of USD 2,000,000 to implement the portfolio program, and it also obtained USD 100,000 to cover the operating expenses. During the year 2023, the program signed an additional agreement with the Social Fund for Development in the amount of USD 940,000 to implement the portfolio program, and it also received USD 60,000 to cover operational expenses. Up to the date of the financial statements, YLG has signed agreements with seven microfinance institutions to initiate the guarantee portfolio program. According to the agreements, YLG receives an establishment fee of 0.5% of the portfolio guarantee ceiling amount.

13. Guarantee issuance fees

This item consists of the following for the year ended December 31:

	2023	2022
	YR	Restated YR
Basic Programs		
Azal Microfinance Program	8,962,351	12,463,328
Nama'a Microfinance Foundation	5,329,029	4,445,048
Yemen Kuwait Bank	3,155,546	16,705,677
Al-Itihad Microfinance Program	2,712,173	5,226,065
Al-Kuraimi Microfinance Bank	2,607,293	8,408,421
Hadhramout Microfinance Program	1,685,092	164,150
National Microfinance Foundation	1,627,467	9,752,660
Shamil Bank of Yemen and Bahrain	1,204,812	1,270,437
Themar Microfinance Foundation	296,942	-
Al-Tadhamon Microfinance Program	-	8,432,512
Yemen Kuwait Islamic Bank	-	37,810
Al-Amal Microfinance Bank	-	21,827
	27,580,705	66,927,935

Yemen Loan Guarantee Program

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For the year ended December 31, 2023

14. Other revenue

This item consists of the following for the year ended December 31:

	2023	2022
	YR	Restated YR
Investment returns on deposit	78,841,418	183,516,330
Recovered from default guarantees	5,367,373	1,728,389
Recovered from provisions	-	114,269,677
Others	788,133	1,681,979
	84,996,924	301,196,375

15. Operating and administrative expenses

This item consists of the following for the year ended December 31:

	2023	2022
	YR	Restated YR
Salaries and wages	182,496,524	185,259,657
Murabaha expenses*	75,362,082	88,284,617
Travel	16,959,940	8,857,034
Security services	14,592,767	14,088,880
Advertising	6,494,255	7,443,992
Field visits expenses	4,618,238	958,173
Telecommunication, internet, and water	4,463,804	2,898,770
Professional fees	3,956,250	1,052,216
Audit Fee	2,190,037	1,095,900
Stationery	1,665,608	1,204,506
Subscription fees	1,483,945	2,501,881
Workshops	1,141,033	2,279,175
Repairs and maintenance	1,026,279	1,197,852
Transportation	573,150	926,476
Others	542,183	238,869
	317,566,095	318,287,998

* This item represents payments to the microfinance institutions for issuing no-interest loans (Without Murabaha) to the beneficiaries of the VOLIP program. The Program bears the costs of Murabaha on behalf of VOLIP program beneficiaries according to the agreements, which is covered from VOLIP contributions.

16. Restatement

The management discovered that conditional contributions and payables and accrued expenses in 2022 and 2021 had been erroneously recorded financial statements for both respective years. As a consequence, conditional contributions, payables and accrued expenses, contributions and accumulated surplus or deficit have been misstated. The errors have been corrected by restating each of the affected financial statements line items of the prior period. The following table summarizes the impacts on the 2022 financial statements:

16.1 Statement of financial position

	As Reported YR	Adjustments YR	As Restated YR
Payables and accrued expenses	50,383,576	6,173,453	56,557,029
Conditional contributions	3,603,310,937	(149,548,875)	3,453,762,062
Accumulated surplus or deficit	1,079,572,123	143,375,422	1,222,947,545

Yemen Loan Guarantee Program

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16.2 Statement of activities

	As reported YR	Adjustments YR	As restated YR
Contributions	339,745,005	51,832,725	391,577,730
Adjustments*	-	91,542,697	91,542,697

* These adjustments related to correction of errors for the year ended December 31, 2021.

17. Risk management and financial instruments

17.1 Foreign currency risk

The Program receives contributions in US dollar and most of its expenses including guarantees issued to Partner Microfinance Institutes are denominated in YR. Accordingly, any material change in the exchange rates would not expose the Program to a foreign currency risk as the YR has been depreciating against the US dollar since 2015.

17.2 Liquidity risk

The Program is not exposed to liquidity risk. Its approach to managing liquidity is to ensure that it always has sufficient liquidity to meet its liabilities when they are due. The Program has a highly liquid investment at Yemen Commercial Bank, Alamal Microfinance Bank and Yemen Kuwait Bank in the form of deposits of an amount of USD 8,200,000 at the end of 2023 equivalent to YR 4,305,000,000 (2022: USD 9,230,119 equivalent to YR 5,150,406,602). The Program has current assets of YR 5,195,409,520 and current liabilities of YR 3,960,967,836 on December 31, 2023 (2022: YR 5,326,983,869 and YR 3,631,405,388 respectively).

17.3 Credit and counterparty risk

The Program is exposed to credit risk from its operating activities, primarily for guarantees issued to Partner Microfinance Institutions for loans issued, and from its financing activities, primarily cash at banks.

The credit including counterparty risk in relation to the Program operating activity is mitigated through:

- Portfolio diversification by applying caps on sector, Microfinance Institution, geographic location, target segment (Male vs Female).
- Review of applications submitted by Partner Microfinance Institutions including risk analysis and rating for each application.
- Intensive due diligence and follow up of SEEP analysis of Partner Microfinance Institutions.
- Contracts covenants giving the ability to cancel the agreement with a Partner Microfinance Institution if the fees are not paid within 30 days from the issuance of the guarantees, or if the Partner Microfinance Institution does not comply with the Operational Manual of YLG Program including furnishing the Program with SEEP analysis on a regular basis.

In relation to its credit risk arising from its financing activity, the Program has adopted a policy of only dealing with creditworthy counterparties. The Program does not have an investment portfolio and any negative change in the financial position of the banks might expose the Program to a significant risk of non-collection of part or all of its deposits.

17.4 Concentration risk

YLG Program has a diversified portfolio per geographical area, sector, and Partner Microfinance Institution. Caps and regular monitoring of the portfolio are two mitigation measures to ensure the continuance of diversification. In addition, the Program currently participates in collective loan portfolio guarantee programs.

Yemen Loan Guarantee Program

Notes to the financial statements

For the year ended December 31, 2023

17.5 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of cash, bank balances, and receivables. Financial liabilities consist of payables. The fair values of the financial assets and liabilities are not materially different from their carrying values.

18. Tax position

The program is exempted from the profit tax as per the Yemeni Income Tax Law No. 17 of 2010. YLG submitted the returns and pay the payroll tax in a timely manner. The Program consistently paid taxes on salaries for the year 2023. However, it has not yet obtained the final settlement for 2023.

19. Current events in the Republic of Yemen

Due to the current political crisis, economic situation and security events in the Republic of Yemen, it is difficult for management to predict the effects of these events to the Program activities for the coming period. The management continues to observe and study the effects of this crisis in the short term and makes the necessary precautions to ensure continuity.

20. Approval of financial statements

The Financial Statements were approved and authorized by the Steering Committee on May 15, 2024.