The Emerging Africa Infrastructure Fund Limited
Financial Statements
For the year ended 31 December 2017

The Emerging Africa Infrastructure Fund Limited

Contents **Page**

The Emerging Africa Infrastructure Fund Limited

Corporate Data
For the year ended 31 December 2017

Directors	Position and Committee	Appointment	Position held until
Resident			
Marie Philomene Gerard Jean Claude Bega	Board Director	3-Apr-14	4-Sep-17
Patrice Maveyraud	Board Director	4-Sep-17	Ongoing
Tchang Fa Wong Sun Thiong	Board Director and Member of Audit Committee and Chair of Risk Committee	2-Feb-15	Ongoing
Alternate directors			
Hubert Gerald Georges Joseph Leclezio (for Marie Philomene Gerard Jean Claude Bega)		30-Sep-14	4-Sep-17
Non Resident			
Saud Ibne Siddique	Board Director and Chair of New Business Committee and Credit Committee	1-Feb-10	Ongoing
Mary Thandiwe Ncube	Board Director and Chair of Audit Committee	6-Feb-13	Ongoing
David Leslie Crawford White	Chair of Board, Chair of Asset and Liability Committee, Chair of Appointments Committee and Member of New Business Committee	1-Jan-14	Ongoing
Julia Elizabeth Prescot	Board Director, Member of Asset and Liability Committee, Credit Committee, New Business Committee, Appointments Committee and Risk Committee	23-Mar-15	Ongoing
Jeremy Patrick Stewart Crawford	Board Director, Member of Asset and Liability Committee, Credit Committee, New Business Committee and Audit Committee	23-Mar-15	Ongoing
Oscar Eric Kang'oro	Board Director, Member of Credit Committee, New Business Committee and Risk Committee	25-Mar-15	Ongoing

Corporate Data

For the year ended 31 December 2017

Fund Manager

Investec Asset Management Guernsey Limited
Glategny Court
Glategny Esplanade
St Peter Port
Guernsey GY1 1WR

Appointment date: 09 May 2016

Frontier Markets Fund Managers Limited
Level 3
Alexander House
35 Cybercity
Ebène
Mauritius

Resignation date: 09 May 2016

Corporate Secretary

Intercontinental Trust Limited
Level 3, Alexander House
35 Cybercity
Ebène
Mauritius

Appointment date: 01 April 2016

Auditors

KPMG
KPMG Centre
31 Cybercity
Ebène
Mauritius

Directors' report

For the year ended 31 December 2017

The directors present their report together with the financial statements of The Emerging Africa Infrastructure Fund Limited (the "Company") for the year ended 31 December 2017.

Principal activities

The principal activity of the Company is that of providing long-term financing to private sector infrastructure projects in Sub-Saharan Africa.

Results and dividends

The results for the year are shown on page 9.

The Board of directors has not declared a dividend for the year under review (2016: Nil).

Statement of directors' responsibilities in respect of the financial statements

Mauritius Companies Act 2001 requires the directors to prepare financial statements for each financial year which fairly present the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act and the International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, KPMG, have indicated their willingness to continue in office.

By order of the Board

Director

Director

Date: 21 MAR 2018

Secretary's report

For the year ended 31 December 2017

Under Section 166 (d) of the Companies Act 2001.

We certify, to the best of our knowledge and belief, that the Company has filed with the Registrar of Companies, for the year ended 31 December 2017, all such returns as are required of the Company under the Companies Act 2001.

CORPORATE SECRETARY
Intercontinental Trust Limited
Level 3, Alexander House
35 Cybercity
Ebene
Mauritius

Date: 21 MAR 2018

KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius
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BRN No. F07000189
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE EMERGING AFRICA INFRASTRUCTURE FUND LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Emerging Africa Infrastructure Fund Limited (the Company), which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 37.

In our opinion, these financial statements give a true and fair view of the financial position of The Emerging Africa Infrastructure Fund Limited as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE EMERGING AFRICA INFRASTRUCTURE FUND LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

The directors are responsible for the other information. The other information comprises the Corporate Data, Directors' Report and Secretary's Report. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

KPMG

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE EMERGING AFRICA INFRASTRUCTURE FUND LIMITED**

Report on the Audit of the Financial Statements (continued)

Auditors' 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 auditors' 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 judgement 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE EMERGING AFRICA INFRASTRUCTURE FUND LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 directors 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.

Other Matter

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Company's members, as a body, those matters that we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interests in the Company other than in our capacities as auditors and tax and advisors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

KPMG

KPMG
Ebène, Mauritius

Désiré LAN CHEONG WAH, FCA
Licensed by FRC

Date: **27 March 2018**

The Emerging Africa Infrastructure Fund Limited

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Notes	Year Ended 31-Dec-17 USD	Year Ended 31-Dec-16 USD
Interest income on loans and advances	7	**28,675,074**	41,195,094
Interest income on debt instruments		**9,423,588**	3,928,906
Interest expense		**(1,921,634)**	(2,120,663)
Net interest income		**36,177,028**	43,003,337
Income from shari'ah loan		**55,022**	-
Total investment income		**36,232,050**	43,003,337
Other income			
Interest income on deposits	8	**178,696**	129,900
Loan fee income	9	**620,890**	2,411,444
Grant income	25	**2,340,053**	1,646,643
Amortisation of deferred income	25	**2,514,035**	2,967,405
Realised gain on financial assets		**76,288**	2,206,595
Reimbursement of legal costs		**124,045**	-
Foreign exchange gain	10	**-**	548,469
Total other income		**5,854,007**	9,910,456
Amortisation of deferred expenses	17	**(1,053,269)**	(3,179,091)
Other expenses			
Fund manager expenses	12	**(11,352,552)**	(17,620,768)
Monitoring fee expenses		**(41,147)**	(8,567)
Loan expenses		**(79,375)**	(84,378)
Professional fees and expenses		**(692,905)**	(1,028,660)
Administration expenses		**(862,070)**	(900,026)
Grant expenses	25	**(2,340,053)**	(1,646,643)
Foreign exchange loss	10	**(1,118,884)**	-
		(16,486,986)	(21,289,042)
Profit before impairment of financial assets		**24,545,802**	28,445,660
Fair value adjustment - amount transferred from Other comprehensive income		-	(617,739)
Impairment of financial assets			
Loans written off	14	-	(15,127,538)
Reversal of provision for impairment of loan and advances	13 (i)	**494,540**	57,221,188
Provision for impairment of available-for-sale financial assets and interest	13 (ii)	**(3,008,324)**	(9,906)
Provision for impairment of held-to-maturity financial assets	13 (iii)	**(10,855,473)**	(13,061,481)
Provision for impairment of loans and advances	13 (i)	**(1,964,055)**	(26,061,551)
		(15,333,312)	2,960,712
Profit before tax		**9,212,490**	30,788,633
Income tax expense	11	**(728,725)**	(329,449)
Profit for the year		**8,483,765**	30,459,184
Other comprehensive income			
Items that are or may be subsequently reclassified to profit or loss:			
Fair value reserve - amount transferred to profit or loss		**(156,367)**	443,997
Fair value reserve - available-for-sale financial assets		**7,146,388**	3,241,243
Total other comprehensive income	23	**6,990,021**	3,685,240
Total comprehensive income for the year		**15,473,786**	34,144,424

The notes on pages 13 to 37 form an integral part of these financial statements.

The Emerging Africa Infrastructure Fund Limited

Statement of financial position

As at 31 December 2017

	Notes	31-Dec-17 USD	31-Dec-16 USD
Assets			
Non-current assets			
Loans and advances	14	**318,822,531**	375,696,806
Shari'ah loan	14	**2,401,600**	-
Available-for-sale financial assets	15	**100,879,123**	63,732,735
Held-to-maturity financial assets	16	**7,883,858**	18,827,792
Deferred expenses	17	**2,680,504**	2,624,339
		432,667,616	460,881,672
Current assets			
Loans and advances	14	**77,366,214**	56,003,213
Trade and other receivables	18	**8,012,128**	6,799,297
Derivative financial instruments	19	**-**	440,996
Prepayments		**53,336**	17,627
Bank deposits	20	**15,126,952**	2,000,000
Cash and cash equivalents	21	**3,035,694**	15,593,952
		103,594,324	80,855,085
Total Assets		**536,261,940**	541,736,757
Equity and Liabilities			
Equity			
Share capital	22	**391,869,690**	391,869,690
Share premium		**10**	10
Fair value reserve	23	**10,853,068**	3,863,047
Retained earnings		**25,095,160**	16,611,394
Total equity		**427,817,928**	412,344,141
Liabilities			
Non-current liabilities			
Loans and borrowings	24	**85,611,623**	82,945,879
Deferred income	25	**9,833,578**	9,520,788
		95,445,201	92,466,667
Current liabilities			
Loans and borrowings	24	**6,066,141**	31,858,769
Current tax liabilities	26	**488,870**	152,400
Trade and other payables	27	**5,699,691**	4,914,780
Derivative financial instruments	19	**744,109**	-
		12,998,811	36,925,949
Total Equity and Liabilities		**536,261,940**	541,736,757

The financial statements have been approved by the Board of directors and authorised for issue on: 21 MAR 2018

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The notes on pages 13 to 37 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2017

	Notes	Share Capital USD	Share Premium USD	Fair Value Reserve USD	Retained Earnings/(Loss) USD	Total USD
Balance at 1 January 2016		389,869,690	10	177,807	(13,847,790)	376,199,717
Total comprehensive income for the year						
Other comprehensive income		-	-	3,685,240	-	3,685,240
Profit for the year		-	-	-	30,459,184	30,459,184
Transaction with owners, recognised directly in equity						
Issue of shares		2,000,000	-	-	-	2,000,000
Balance at 31 December 2016		391,869,690	10	3,863,047	16,611,394	412,344,141
Total comprehensive income for the year						
Other comprehensive income		-	-	**6,990,021**	-	**6,990,021**
Profit for the year		-	-	-	**8,483,765**	**8,483,765**
Balance at 31 December 2017		**391,869,690**	**10**	**10,853,068**	**25,095,160**	**427,817,928**

The notes on pages 13 to 37 form an integral part of these financial statements.

The Emerging Africa Infrastructure Fund Limited

Statement of cash flows
For the year ended 31 December 2017

	Notes	31-Dec-17 USD	31-Dec-16 USD
Cash flows from operating activities			
Profit for the year		**8,483,765**	30,459,184
Adjustments for:			
Net interest income		**(36,232,050)**	(43,003,337)
Amortisation of deferred income		**(2,514,035)**	(2,967,405)
Interest income on deposits and debt instruments		**(178,696)**	(129,900)
Amortisation of deferred expenses		**1,053,269**	3,179,091
Grant income		**(2,340,053)**	(1,646,643)
Reversal of provision for impairment of loans and advances		**(494,540)**	(57,221,188)
Provision for impairment of financial assets		**15,827,852**	39,132,938
Loans written off		**-**	15,127,538
Unrealised foreign exchange (gain)/loss on financial assets	10	**(764,985)**	322,893
Unrealised foreign exchange loss/(gain) on derivative financial instruments	10	**1,185,104**	(440,996)
Fair value adjustment		**-**	617,739
Income tax expense		**728,725**	329,449
		(15,245,644)	(16,240,637)
Changes in:			
Loans and advances		**43,559,625**	8,754,435
Available-for-sale financial assets		**(30,000,000)**	(50,000,000)
Bank deposits		**(13,126,952)**	4,027,413
Deferred income		**2,621,058**	2,786,748
Trade and other receivables		**(35,709)**	553,998
Trade and other payables		**827,369**	523,638
		(11,400,253)	(49,594,405)
Grant received	25	**2,545,820**	1,848,827
Interest income received		**26,281,184**	32,921,498
Interest expense paid		**(1,964,091)**	(2,062,014)
Income tax paid		**(392,255)**	(327,917)
Net change in cash from operating activities		**15,070,405**	(17,214,011)
Cash flows from investing activities			
Interest received on deposits and debt instruments		**6,361,124**	(794,002)
Net change in cash from investing activities		**6,361,124**	(794,002)
Cash flows from financing activities			
Issue of ordinary shares		**-**	2,000,000
Payment of loan fees	17	**(1,109,434)**	(1,898,628)
Proceeds from borrowings		**52,228,292**	95,344,559
Repayment of borrowings		**(85,108,645)**	(77,060,437)
Net change in cash from financing activities		**(33,989,787)**	18,385,494
Net change in cash and cash equivalents		**(12,558,258)**	377,481
Cash and cash equivalents at beginning of year		**15,593,952**	15,216,471
Cash and cash equivalents at end of year		**3,035,694**	15,593,952

The notes on pages 13 to 37 form an integral part of these financial statements.

1 Reporting entity

(a) *General Information*

The Emerging Africa Infrastructure Fund Limited, (the "Company") was incorporated on 18 December 2001, was granted a Category 1 Global Business Licence on 29 April 2002 and operates as a Closed Ended Fund.

The Company provides long-term denominated debt or mezzanine finance on commercial terms to finance the construction and development of private infrastructure in countries across Sub-Saharan Africa.

(b) *Statement of Compliance*

These financial statements comprise the financial statements of the Company and have been prepared in accordance with International Financial Reporting Standards ("IFRS") and Mauritius Companies Act.

2 Basis of preparation

These financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The financial statements are presented in United States Dollar ("USD"), which is the Company's functional currency. All amounts have been rounded to the nearest USD, unless otherwise indicated.

The financial statements have been prepared on the historical cost basis except for the measurement of financial instruments. The principal accounting policies set out below have, unless otherwise stated, been applied consistently to all periods in these financial statements.

3 Use of judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of those assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis by the directors and management. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2016. Further information about the assumptions made in measuring fair values are disclosed in note 29.

(a) *Judgements*

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is set out below:

3 Use of judgements and estimates (continued)

(a) *Judgements (continued)*

(i) Determination of the functional currency

The functional currency is the currency of the primary economic development in which the Company operates. The majority of the Company's transactions are denominated in USD. Most of the loans and advances are disbursed and paid in USD and most of the interest income and expenses (including fund manager expenses) are denominated and paid in USD. Accordingly, management has determined that the functional currency of the Company is USD.

(b) *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2017 is set out below:

(i) Impairment of financial instruments

At each reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired.

Financial assets measured at amortised cost

The Company considers evidence of impairment for these assets at an individual level. All financial assets are individually assessed for impairment.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value to the profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in the profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through the profit or loss.

4 Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

(ii) Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values.

The Valuation Committee of the fund manager has the overall responsibility for overseeing all significant fair value measurements, which are approved by the Company's Credit Committee. The Valuation Committee reports to the Risk Committee of the fund manager.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 29.

5 Accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

(a) *Foreign currency transactions*

Transactions in foreign currencies are translated into the respective functional currency of the entity at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of available-for-sale equity instruments are recognised in other comprehensive income ("OCI").

5 Accounting policies (continued)

(b) *Interest income and expense*

Interest income and expense are recognised in the profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income arises from interest on loans and advances to borrowers while interest expense arises from interest on borrowing provided by lenders. Both loans and advances, and loans and borrowings are financial assets and liabilities respectively, which are measured at amortised cost calculated on an effective interest basis.

(c) *Deferred income*

Deferred income consists of deferral, upfront and commitment fees from borrowers which are recognised systematically over the life of the underlying loan on an effective yield basis.

(d) *Deferred expenses*

Deferred expenses consist of upfront, commitment and refinancing fees paid to the lenders which are recognised systematically over the life of the underlying loan on an effective yield basis.

(e) *Loan fee income*

Loan fee income consists of loan arrangement, amendment, restructuring, annual monitoring, consent, waiver, loan breakage and appraisal fees which the Company charged to the borrowers for work performed during the year.

(f) *Grants*

Grants are initially recognised as deferred income if all conditions associated with the grants are complied with.

Grants that compensate the Company for expenses incurred are recognised in the profit or loss on a systematic basis in the periods in which the expenses are recognised.

(g) *Income tax*

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

5 Accounting policies (continued)

(g) *Income tax (continued)*

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Current tax assets and liabilities are offset if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(h) Financial assets and financial liabilities

(i) Recognition and derecognition

The Company initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

5 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(i) Recognition and derecognition (continued)

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(ii) Classification and subsequent measurement

The Company has classified financial assets and financial liabilities into the following categories:

Held-to-maturity financial assets
These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Loans and advances, shari'ah loans and receivables
These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Available-for-sale financial assets
These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. However, in cases where the fair value cannot be reliably measured, they are measured at cost and changes therein are recognised in OCI and accumulated in the fair value reserve.

Financial assets and liabilities at fair value through profit or loss
These comprise derivative financial instruments, and are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in profit or loss.

Other financial liabilities
Other financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

5 Accounting policies (continued)

(i) Share capital

(i) Ordinary Shares

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

6 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. They will be adopted in the period that they become mandatory unless otherwise indicated:

IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 Revenue – *Barter of Transactions Involving Advertising Services.*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The standard is effective for annual periods beginning on or after 1 January 2018; with early adoption permitted.

The impact on the financial statements of the Company is expected to be immaterial.

IFRS 9 Financial Instruments

On 24 July 2014, the IASB issued the final IFRS 9 *Financial Instruments Standard*, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard will have a significant impact on the Company, which will include changes in the measurement bases of the Company's financial assets to amortised cost, fair value through OCI or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Company.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application; with early adoption permitted.

The Company has assessed the estimated impact of the initial application of IFRS 9 bases on assessments undertaken to date and is summarised below:

6 New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification - financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through OCI and fair value through profit or loss. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the entity does not believe that the new classification requirements will have a material impact on its accounting for loans and advances, shari'ah loans, available-for-sale financial assets, held-to-maturity financial assets, trade receivables and derivative financial instruments.

(b) Impairment - financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortised cost or fair value through, except for investments in equity instruments. As the entity carries financial assets measured at amortised cost as well as fair value through OCI, this new model will be applicable from 1 January 2018.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The ECLs of trade and other receivables as well as cash and cash equivalents are not material and therefore the estimated IFRS 9 effect is also immaterial.

For all other financial assets, the Company estimated that application of IFRS 9's impairment requirements at 1 January 2018 results in an increase of between USD 24 million and USD 30 million, being roughly 6% of the portfolio, over the impairment recognised under IAS 39. The IFRS 9 impairment estimates are based on lifetime ECLs of each asset in the portfolio, whereas from 1 January 2018, each asset will be assessed and the impairment will be based on either a 12-month ECL model or lifetime ECL model. Further details of the expected increase in impairments are summarised below:

	Fair value through OCI	**Amortised cost**		**Amortised cost**	
	Lifetime ECL - not credit impaired	Lifetime ECL - not credit impaired	**Estimated IFRS 9 impact - assets not credit impaired**	Lifetime ECL - credit impaired	**Total estimated IFRS 9 impact**
	USD	USD	USD	USD	USD
*B- to B+	80,000,000	257,695,388	**337,695,388**	58,192,070	**395,887,458**
*BB- to BB+	-	135,256,026	**135,256,026**	-	**135,256,026**
*C to CCC	-	494,540	**494,540**	-	**494,540**
Gross carrying amounts	80,000,000	393,445,954	**473,445,954**	58,192,070	**531,638,024**
Loss allowance	(4,596,800)	(18,882,028)	**(23,478,828)**	(7,383,410)	**(30,862,238)**
Amortised cost	75,403,200	374,563,926	**449,967,126**	50,808,660	**500,775,786**
Carrying amount	75,403,200	374,563,926	**449,967,126**	50,808,660	**500,775,786**

**Investec Asset Management internal credit rating*

6 New standards and interpretations not yet adopted (continued)

IFRS 9 Financial Instruments (continued)

(c) Classification - Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

The entity's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.

IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:
- judgments made;
- assumptions and other estimates used; and
- the potential impact of uncertainties that are not reflected.

The standard is effective for annual periods beginning on or after 1 January 2019; with early adoption permitted.

The impact on the financial statements of the Company is expected to be immaterial.

IFRIC 22 Foreign Currency Transactions and Advance Considerations

When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates is not clear on how to determine the transaction date for translating the related item.

This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The interpretation applies for annual reporting periods beginning on or after 1 January 2018.

The impact on the financial statements of the Company is immaterial.

7 Interest income

	31-Dec-17 USD	31-Dec-16 USD
Interest income earned in the current year	**28,675,074**	33,058,014
Interest income previously suspended recognised in the current year	**-**	8,137,080
	28,675,074	41,195,094

Interest income previously suspended and recognised in the current period relates to the interest earned in prior periods but which were not recognised in the Statement of profit or loss and other comprehensive income (refer to Note 14). The provision for impairment on the related loans and advances was reversed in the current period and interest income is now recognised in the Statement of profit or loss and other comprehensive income.

8 Interest income on deposits

	31-Dec-17 USD	31-Dec-16 USD
Interest on bank balance and deposits	**110,790**	54,448
Amortisation of fair value gain	**156,367**	173,742
Amortisation of investment cost (Note 16)	**(88,461)**	(98,290)
	178,696	129,900

9 Loan fee income

	31-Dec-17 USD	31-Dec-16 USD
Loan arrangement fees	**251,125**	145,539
Loan amendment and restructuring fees	**44,603**	913,591
Annual monitoring fees	**214,801**	308,431
Consent and waiver fees	**23,583**	345,649
Loan breakage fees	**6,433**	104,251
Appraisal fees	**80,345**	69,015
Other fees	**-**	524,968
	620,890	2,411,444

Other fees consist of extension fees and legal costs incurred by the Company which were reimbursed.

10 Foreign exchange (loss)/gain

	31-Dec-17 USD	31-Dec-16 USD
Unrealised gain/(loss) on net loans	**764,985**	(322,893)
Unrealised gain/(loss) on cash balances	**246,887**	(158,150)
Realised (loss)/gain on monetary transactions	**(166,700)**	514,082
Realised (loss)/gain on forward contracts	**(778,952)**	74,434
Unrealised (loss)/gain on forward contracts	**(1,185,104)**	440,996
	(1,118,884)	548,469

Included in the Unrealised (loss)/gain on forward contracts is an amount related to the hedging of the Euro-denominated equity position. The corresponding offsetting foreign exchange gain on the Euro-denominated equity position itself is included in the Fair value reserve - available-for-sale financial assets line item in the Statement of profit or loss and other comprehensive income.

10 Foreign exchange (loss)/gain (continued)

Realised foreign exchange gains and losses on monetary transactions arise from changes in exchange rates between the date when expenses in currencies other than the base currency are incurred and the date these expenses are paid.

11 Income tax expense

The Company is subject to income tax in Mauritius at 15% (2016: 15%). It is entitled, however, to a tax credit equivalent to the higher of the actual foreign tax incurred and 80% of the Mauritian tax on its foreign source income. Capital gains are exempt from tax in Mauritius.

	31-Dec-17 USD	31-Dec-16 USD
Total income tax expense for the year	**728,725**	329,449
Calculation of the income tax expense		
Profit for the year before tax	**9,212,490**	30,788,633
Less: Exempt income	**(749,524)**	(59,557,684)
Add: Non deductible expenses	**15,827,852**	39,750,677
	24,290,818	10,981,626
Tax at 15%	**3,643,623**	1,647,244
Tax credit at 80%	**(2,914,898)**	(1,317,795)
Tax expense for the year	728,725	329,449

12 Fund manager expenses

Frontier Markets Fund Managers Limited

Up to 08 May 2016, substantially all of the Company's management, administration and reporting was set out under the Third Amended and Restated Fund Management Agreement entered into with Frontier Markets Fund Managers Limited ("FMFML") as the Fund Manager. Under the terms of the Agreement FMFML was entitled to receive quarterly fixed fees and an annual performance fee. Further once-off fees were paid to FMFML after 9 May 2016 in accordance with the Termination Agreement.

Investec Asset Management Guernsey Limited

Effective on 09 May 2016 Investec Asset Management Guernsey Limited ("IAMGL") was appointed as Fund Manager. IAMGL is due a management fee calculated quarterly as the product of (a) the Applicable Management Fee Percentage pro-rated based on a fee sliding scale; and (b) the Average Portfolio Commitments as set out under the Management Agreement dated 5 May 2016.

Under the Management Agreement, IAMGL is due a performance fee up to 40% of its annual management fee. The majority of the performance fee is contingent upon the achievement of financial and development targets and the remaining portion is at the discretion of the Board.

12 Fund manager expenses (continued)

Breakdown of fund manager expenses:

	31-Dec-17 USD	31-Dec-16 USD
Frontier Markets Fund Managers Limited		
Fixed fee	-	1,762,295
Fixed fee uplift	-	275,004
Termination fee	-	5,000,000
Contribution to post termination costs	-	231,000
Performance fee	-	2,072,121
	-	9,340,420
Investec Asset Management Guernsey Limited		
Management fee		
- fixed fee in terms of the Fund Manager Agreement	**8,285,896**	5,084,454
- cost recovery in terms of the side letter to the Fund Management Agreement	-	1,263,801
Performance fee	**3,066,656**	1,932,093
	11,352,552	8,280,348
	11,352,552	17,620,768

13 Provision for impairment of financial assets

	31-Dec-17 USD	31-Dec-16 USD
(i) *Loans and advances*		
Opening balance	**50,915,328**	82,074,965
Provision for impairment of loans and advances	**1,964,055**	26,061,551
Reversal of provision for impairment of loans and advances	**(494,540)**	(57,221,188)
Closing balance	**52,384,843**	50,915,328
(ii) *Available-for-sale financial assets and interest*		
Opening balance	**274,602**	264,696
Movement for the year	**3,008,324**	9,906
Closing balance	**3,282,926**	274,602
Movement for the year		
Impairment of accrued interest	**3,008,324**	9,906
	3,008,324	9,906
(iii) *Held-to-maturity financial assets*		
Opening balance	**13,061,481**	-
Provision for impairment of held-to-maturity assets	**10,855,473**	13,061,481
Closing balance	**23,916,954**	13,061,481

14 Loans and advances

	31-Dec-17 USD	31-Dec-16 USD
Opening balance	**482,791,002**	515,416,739
Disbursements	**91,975,429**	88,625,033
Repayments	**(135,535,054)**	(97,379,468)
Loans written off	**-**	(15,127,538)
Converted to available-for-sale financial assets	**-**	(9,418,904)
Interest capitalised	**1,906,032**	3,025,022
Gain/(loss) on revaluation of Euro-denominated loans and advances	**10,518,455**	(2,349,882)
Closing balance	**451,655,864**	482,791,002
Provision for impairment	**(52,384,843)**	(50,915,328)
Interest suspended	**(680,676)**	(175,655)
	(53,065,519)	(51,090,983)
Net loans and advances	**398,590,345**	431,700,019

Classification of loans and advances between non current and current

Non-current loans and advances	**318,822,531**	375,696,806
Non-current shari'ah loans and advances	**2,401,600**	-
Current loans and advances	**77,366,214**	56,003,213
	398,590,345	431,700,019

14 (a) Undisbursed loan commitments

As at 31 December 2017, the undisbursed loan commitments were **USD 127,181,071** and **EUR 53,335,372** (31 December 2016: USD 75,828,238 and EUR nil).

14 (b) Interest suspended

During the year the Company has capitalised the interest due from loans and advances which have been provided for impairment. However, due to the uncertainty over its recoverability, the Company has not recognised the interest capitalised in the Statement of profit or loss and other comprehensive income.

15 Available-for-sale financial assets

	31-Dec-17 USD	31-Dec-16 USD
Fixed income investments		
At beginning of the year	**50,844,000**	-
Acquisitions during the year	**40,000,000**	50,000,000
Disposals during the year	**(10,000,000)**	-
Unrealised fair value gain	**5,415,501**	844,000
At end of the year	**86,259,501**	50,844,000

15 Available-for-sale financial assets (continued)

	31-Dec-17 USD	31-Dec-16 USD
Equity investments		
At beginning of the year	**12,888,735**	1,072,588
Acquisition during the year	**-**	9,418,904
Unrealised fair value gain	**1,730,887**	2,397,243
At end of the year	**14,619,622**	12,888,735
	100,879,123	63,732,735

Details of investments:

Name of company	Country of incorporation	Type of investment held	Holding 31-Dec-17	Carrying value 31-Dec-17 USD	Carrying value 31-Dec-16 USD
Quoted investments					
IHS Netherlands Holdco Bv	Ireland	Bond	50,000,000	**53,920,250**	50,844,000
Kenmare Resources plc	UK	Ordinary shares	3,007,315	**11,266,894**	9,515,896
HTA Group Ltd	Ireland	Bond	30,000,000	**32,339,251**	-
Unquoted investments					
Aldwych Holdings Limited (i)	UK	Ordinary A shares	2,316	**7,072**	7,072
Aldwych Holdings Limited (i)	UK	Deferred shares	182,684	**2,053**	2,053
IPS Cable System Holding	Mauritius	Share warrant	1,065,341	**3,343,603**	3,363,714
				100,879,123	63,732,735

(i) In August 2016, the shareholders of Aldwych Holdings Limited converted 182,684 A shares into Deferred Shares of EUR 0.01.

16 Held-to-maturity financial assets

Quoted investments	Holding 31-Dec-17	Carrying value 31-Dec-17 USD	Carrying value 31-Dec-16 USD
At beginning of the year	31,912,500	**18,827,792**	30,450,063
Interest capitalised		**-**	1,537,500
Amortisation of cost (i)		**(88,461)**	(98,290)
Provision for impairment		**(10,855,473)**	(13,061,481)
At end of the year	31,912,500	**7,883,858**	18,827,792

(i) As per IAS 39, the difference between cost and the maturity amount is amortised over the life of the asset.

17 Deferred expenses

	Refinancing Cost USD	Upfront Fees USD	Commitment Fees USD	Total USD
At 1 January 2016	1,269,421	1,778,242	857,139	3,904,802
Movement during the year	107,988	696,818	1,093,822	1,898,628
Amortisation charge	(883,875)	(1,252,652)	(1,042,564)	(3,179,091)
At 31 December 2016	493,534	1,222,408	908,397	2,624,339
Movement during the year	-	-	**1,109,434**	**1,109,434**
Amortisation charge	**(134,666)**	**(264,771)**	**(653,832)**	**(1,053,269)**
At 31 December 2017	**358,868**	**957,637**	**1,363,999**	**2,680,504**

18 Trade and other receivables

	31-Dec-17 USD	31-Dec-16 USD
Loan interest receivable	**6,276,409**	5,228,506
Bank accrued interest	**2,798**	14,252
Interest accrued on income notes and available-for-sale assets	**4,789,056**	1,604,349
Other receivables	**29,205**	29,205
	11,097,468	6,876,312
Provision for impairment - accrued interest and interest on income notes	**(3,085,340)**	(77,015)
	8,012,128	6,799,297

19 Derivative financial instruments

	31-Dec-17 USD	31-Dec-16 USD
Forward foreign exchange contract - at fair value	**(744,109)**	440,996

The notional amount of the outstanding forward foreign exchange contract as at 31 December 2017 is **EUR 29,918,165** (31 December 2016: EUR 7,217,556).

20 Bank deposits

	31-Dec-17 USD	31-Dec-16 USD
Barclays Bank Mauritius Limited		
- Fixed deposit account	**15,126,952**	2,000,000
	15,126,952	2,000,000

21 Cash and cash equivalents

	31-Dec-17 USD	31-Dec-16 USD
Barclays Bank Mauritius Limited		
- Operating account	**1,585,024**	14,099,912
- TAF grant	**1,432,511**	1,225,374
Standard Chartered Bank (Mauritius) Limited	**18,159**	268,666
	3,035,694	15,593,952

22 Share Capital

	31-Dec-17		31-Dec-16	
	Shares	**USD**	Shares	USD
Ordinary shares, issued and fully paid				
Opening balance	**39,186,969**	**391,869,690**	38,986,969	389,869,690
Issue of shares	-	-	200,000	2,000,000
Closing balance	**39,186,969**	**391,869,690**	39,186,969	391,869,690

The nominal value of the shares are USD 10 each. All ordinary shares are ranked equally. Holders of these shares are entitled to dividends as declared from time to time.

23 Fair value reserve

	31-Dec-17	31-Dec-16
	USD	USD
At beginning of the year	**3,863,047**	177,807
Movement during the year	**6,990,021**	3,685,240
At end of the year	**10,853,068**	3,863,047

24 Loans and borrowings

	31-Dec-17	31-Dec-16
	USD	USD
Non-current liabilities		
Kreditanstalt fur Wiederaufbau ("KfW")	**17,000,000**	17,000,000
Kreditanstalt fur Wiederaufbau - EUR	**68,611,623**	65,945,879
	85,611,623	82,945,879
Current liabilities		
Kreditanstalt fur Wiederaufbau - EUR	**6,066,141**	6,030,269
Standard Chartered Bank ("SC")	-	18,000,000
Standard Chartered Bank - EUR	-	6,328,500
Standard Bank South Africa ("SBSA")	-	1,500,000
	6,066,141	31,858,769
The above borrowings are denominated in the following currencies:		
US Dollar	**17,000,000**	36,500,000
Euro	**74,677,764**	78,304,648
	91,677,764	114,804,648

24 Loans and borrowings (continued)

Terms of loans and borrowings

Lender	Currency	Maturity date	Total committed	Undisbursed
KfW Facility D2	USD	17 June 2028	65,000,000	58,000,000
KfW Facility D3	USD	17 June 2028	20,000,000	10,000,000
SBSA Facility C1	USD	29 October 2018	25,000,000	25,000,000
FMO Facility C2	USD	29 October 2021	25,000,000	25,000,000
SC Facility C3	USD/EUR	29 October 2019	25,000,000	25,000,000
				143,000,000
KfW Facility B	EUR	29 October 2024	55,000,000	9,075,000
KfW Facility D1	EUR	17 June 2028	45,000,000	28,734,990
FMO Facility C2	EUR	29 October 2021	25,000,000	25,000,000
				62,809,990
			Total USD equivalent	218,422,235

25 Deferred income

	TAF Grant[1] USD	Restructuring Fees USD	Upfront Fees USD	Commitment Fees USD	Total USD
At 1 January 2016	275,936	1,141,292	4,123,776	3,958,258	9,499,262
Movement during the year	1,848,827	-	1,130,991	1,655,757	4,635,575
Amortisation charge	(1,646,643)	(96,647)	(1,398,240)	(1,472,519)	(4,614,049)
At 31 December 2016	478,120	1,044,645	3,856,527	4,141,496	9,520,788
Movement during the year	**2,545,820**	-	**1,445,276**	**1,175,782**	**5,166,878**
Amortisation charge	**(2,340,053)**	**(253,935)**	**(1,167,796)**	**(1,092,304)**	**(4,854,088)**
At 31 December 2017	**683,887**	**790,710**	**4,134,007**	**4,224,974**	**9,833,578**

[1]The Private Infrastructure Development Group ('PIDG') acting through the PIDG Trust provides Technical Assistance Facility ('TAF') grants for development projects approved by the Central Management Office of the PIDG. TAF grants are managed through the Company in agreement with the PIDG.

26 Current tax liabilities

	31-Dec-17 USD	31-Dec-16 USD
At beginning of the year	**152,400**	150,868
Tax paid during the year	**(392,255)**	(327,917)
Income tax expense for the year	**728,725**	329,449
At end of the year	**488,870**	152,400

27 Trade and other payables

	31-Dec-17 USD	31-Dec-16 USD
Investec Asset Management Guernsey Limited		
Management fee	**2,197,194**	2,485,686
Performance fee	**3,066,656**	1,932,093
MDY Legal fees	**134,493**	158,341
Loan interest payable	**202,423**	244,880
Management company fees	**5,500**	2,393
Audit and tax fees	**37,690**	11,204
Other payables	**55,735**	80,183
	5,699,691	**4,914,780**

28 Related party transactions

During the year the Company had transactions and balances with its related parties. The nature, volume of transactions and balances are as follows:

Name of company	Nature of relationship	Nature of transaction	31-Dec-17 USD	31-Dec-16 USD
Transactions during the year:				
PIDG Trust	Shareholder	Grant amortised	**2,340,053**	1,646,643
		Grant received	**2,545,820**	1,848,827
		Issue of shares	-	2,000,000
Frontier Markets Fund Managers Limited	Fund Manager	Management and other fees	-	7,268,299
Frontier Markets Fund Managers Limited	Fund Manager	Performance fees	-	2,072,121
Investec Asset Management Guernsey Limited	Fund Manager	Management fees	**8,285,896**	6,348,255
Investec Asset Management Guernsey Limited	Fund Manager	Performance fees	**3,066,656**	1,932,093
Balances outstanding at end of the year:				
PIDG Trust	Shareholder	Grant received	**683,887**	478,120
Investec Asset Management Guernsey Limited	Fund Manager	Management fees	**2,197,194**	2,485,686
Investec Asset Management Guernsey Limited	Fund Manager	Performance fees	**3,066,656**	1,932,093

Key management personnel

The Company's key management personnel are the directors as listed in the Directors' report. There were no material transactions with key management personnel or their families during the current or previous year, other than normal remuneration for employee services rendered.

29 Fair values of financial instruments

Accounting classifications and fair values

The table below shows the carrying amounts and fair values of financial assets and financial liabilities measured at fair value.

Financial instruments measured at fair value

	Carrying amount USD	Level 1 USD	Fair Value Level 2 USD	Level 3 USD
31 December 2017				
Available-for-sale investments (quoted)	**97,526,395**	**97,526,395**	**-**	**-**
Available-for-sale equity investments (unquoted)	**3,352,728**	**-**	**-**	**3,352,728**
Derivative financial instruments	**(744,109)**	**-**	**(744,109)**	**-**
	100,135,014	**97,526,395**	**(744,109)**	**3,352,728**
31 December 2016				
Available-for-sale investments (quoted)	60,359,896	60,359,896	-	-
Available-for-sale equity investments (unquoted)	3,372,839	-	-	3,372,839
Derivative financial instruments	440,996	-	440,996	-
	64,173,731	60,359,896	440,996	3,372,839

The Company measures fair values using the following fair values hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in an active markets for identical instruments.
Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and whose unobservable inputs have a significant effect on the instrument's valuation.

For the available-for-sale equity investments (classified as level 3), the directors are of the opinion that the best approximate measurement of the financial assets is fair value.

Significant unobservable inputs used in measuring fair value

IPS Cable System Holding Limited ("IPS")

The investment in IPS Cable System Holding Limited is valued using the book value valuation technique by valuing the only significant asset held by IPS, namely Seacom Capital Limited ("SCL"), and applying the effective % that the Company holds of SCL, namely 1.6%.

The unobservable input to this valuation method relates to the fair value of its investment in Seacom Capital Limited, which ranges from USD 248 million to USD 353 million. As this fair value of SCL increases, the fair value of IPS increases.

In valuing IPS, the Company has conservatively used a fair value of USD 248 million for SCL, equating to a fair value for the Company's investment in IPS of USD 3,343,603.

Financial instruments not measured at fair value

The carrying amount of the Company's loans and advances, held-to-maturity financial assets, trade and other receivables, bank deposits, cash and cash equivalents, loans and borrowings and trade and other payables is approximate to their fair values, and thus information relating to the fair values of these financial instruments, including the fair value hierarchy, is not disclosed.

30 Financial risk management and review

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Committee, which is responsible for, inter alia, developing and monitoring the Company's risk management policies and ensuring the Company's compliance with its Risk Appetite Statements. This committee reports regularly to the Board of Directors on its activities.

Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. There were no changes in the Company's approach to capital management during the year.

The Company is subject to an externally-imposed capital requirement that the equity of the Company should not fall below USD 150,000,000. Refer to page 35 for more detail on this externally imposed capital requirement.

Credit risk

Credit risk is the risk of financial loss of the Company if a borrower and counterparty fails to meet their contractual obligations, and arises principally from the Company's loans and advances and held-to-maturity investments.

The Company's primary exposure to credit risk arises through its lending activities. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the statement of financial position. The risk that counterparties might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Company deals with counterparties of good credit standing.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each borrower. The demographic spread of the Company's customer base, including the default risk of the industry and country in which the borrower operates, has an influence on credit risk.

The Board has established the Credit Committee, which assesses each new borrower individually against the investment policy of the Company, and offers terms and conditions to each new borrower accordingly.

The carrying amount of the financial assets, net of provision for impairments, represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31-Dec-17	31-Dec-16
	USD	USD
Loans and advances	**398,590,345**	431,700,019
Available-for-sale financial assets	**86,259,501**	50,844,000
Held-to-maturity financial assets	**7,883,858**	18,827,792
Derivative financial instruments	**-**	440,996
Trade and other receivables	**8,012,128**	6,799,297
Bank deposits	**15,126,952**	2,000,000
Cash and cash equivalents	**3,035,694**	15,593,952
	518,908,478	526,206,056

30 Financial risk management and review (continued)

Credit risk (continued)

(i) *Analysis of credit risk for loans and advances and loan interest receivables by sector and country/region:*

	Loans and advances		*Loan interest receivable*	
	31-Dec-17 USD	31-Dec-16 USD	**31-Dec-17 USD**	31-Dec-16 USD
Sector				
Agriculture	**5,000,000**	1,530,612	**110,396**	37,878
Mining	**494,540**	-	**9,295**	-
Telecommunications	**7,397,801**	81,706,903	**188,358**	1,010,950
Industrial infrastructure	**100,616,706**	98,813,225	**2,052,602**	1,041,585
Power	**259,149,735**	231,305,055	**3,684,410**	2,957,889
Transport	**25,931,563**	18,344,224	**231,349**	180,204
	398,590,345	431,700,019	**6,276,409**	5,228,506
Country/Region				
Republic of Cameroon	**5,084,538**	7,443,532	**61,442**	91,578
Mozambique	**494,540**	-	**9,295**	-
Republic of Nigeria	**77,071,513**	62,143,027	**840,837**	634,159
Uganda	**52,923,966**	35,984,113	**610,687**	174,838
Kenya	**30,286,453**	37,794,976	**863,114**	270,261
Congo	**34,100,000**	56,769,714	**428,241**	953,325
Algeria	**5,144,390**	3,321,495	**723,797**	177,972
Pan Africa	**23,485,379**	30,007,353	**325,157**	476,163
Senegal	**33,241,746**	27,232,326	**203,011**	193,001
Tanzania	-	24,840,000	-	150,582
Tunisia	-	4,358,071	-	59,829
Ethiopia	**12,535,715**	16,821,429	**86,930**	159,858
Ghana	**25,402,001**	41,583,319	**249,729**	70,778
Ivory Coast	**52,605,413**	52,057,885	**941,320**	999,878
Republic of Rwanda	**28,691,301**	31,342,779	**745,446**	816,284
Madagascar	**13,395,849**	-	**144,419**	-
Mali	**4,127,540**	-	**42,983**	-
	398,590,345	431,700,019	**6,276,409**	5,228,506

(ii) *Analysis of credit risk for available-for-sale financial assets and interest receivables by sector and country/region:*

	Available-for-sale financial assets		*Interest receivable*	
	31-Dec-17 USD	31-Dec-16 USD	**31-Dec-17 USD**	31-Dec-16 USD
Sector				
Mining	**11,266,894**	9,515,896	-	-
Power	**9,125**	9,125	-	-
Telecommunications	**89,603,104**	54,207,714	**1,703,715**	844,444
	100,879,123	63,732,735	**1,703,715**	844,444

30 Financial risk management and review (continued)

(ii) *Analysis of credit risk for available-for-sale financial assets and interest receivables by sector and country/region (continued):*

	Available-for-sale financial assets		***Interest receivable***	
	31-Dec-17 USD	31-Dec-16 USD	**31-Dec-17 USD**	31-Dec-16 USD
Country/Region				
Mozambique	**11,266,894**	9,515,896	**-**	-
Nigeria	**53,920,250**	50,844,000	**844,444**	844,444
Pan-Africa	**35,691,979**	3,372,839	**859,271**	-
	100,879,123	63,732,735	**1,703,715**	844,444

(iii) *Analysis of credit risk for held-to-maturity financial assets and interest receivables by sector and country/region:*

	Held-to-maturity financial assets		***Interest receivable***	
	31-Dec-17 USD	31-Dec-16 USD	**31-Dec-17 USD**	31-Dec-16 USD
Country/Region				
Nigeria	**7,883,858**	18,827,792	**-**	683,333
	7,883,858	18,827,792	**-**	683,333
	31-Dec-17 USD	31-Dec-16 USD	**31-Dec-17 USD**	31-Dec-16 USD
Sector				
Transport	**7,883,858**	18,827,792	**-**	683,333
	7,883,858	18,827,792	**-**	683,333

The Company does not have any debt securities that were past due but not impaired at 31 December 2017.

(iv) *Bank deposits and cash and cash equivalents*

The Company held bank deposits and cash and cash equivalents with bank and financial institutions, which are rated between A and Ba long term, based on ratings from credit agencies.

(v) *Derivatives*

Derivatives are entered into with bank and financial institution counterparties, which are rated A long term, based on ratings from credit agencies.

(vi) *Collateral*

The Company holds collateral as security over most of its loans and advances under its facility agreements. While the Company is legally entitled to the potential economic benefit provided by the collateral on loans and advances, rather than realise its security, the Company has historically preferred to engage with borrowers facing financial difficulties and to reach an alternative payment solution that continues to aid the economic development of the project as well as promote the Company's developmental purpose. Where borrowers have defaulted, the Company has made an assessment of the recoverability of the loan and raised provisions for impairment as appropriate. The balance of loans and advances disclosed in the Statement of Financial Position are therefore a fair reflection of the Company's credit exposure.

30 Financial risk management and review (continued)

Liquidity risk

The Board has established an Asset and Liability Committee (ALCO) which assesses the liquidity risk of the Company.

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company is subject to the following financial covenants under the terms of the Common Terms Agreement with its lenders, and which as at 31 December 2017 the Company was in compliance:

(a) as of the last day of any quarter, the debt to equity ratio not to exceed 2:1;
(b) interest cover in respect of the relevant calculation period should not fall below a ratio of 1.5:1; and
(c) the equity of the Company should not fall below USD 150,000,000 at any time.

The following are the contractual maturities of the financial liabilities at the reporting date:

	Less than 6 months USD	6-12 months USD	1-3 years USD	More than 3 years USD	Total USD
31 December 2017					
Loans and borrowings	**3,033,071**	**3,033,071**	**12,132,282**	**73,479,340**	**91,677,764**
Trade and other payables	**5,699,691**	**-**	**-**	**-**	**5,699,691**
	8,732,762	**3,033,071**	**12,132,282**	**73,479,340**	**97,377,455**
31 December 2016					
Loans and borrowings	28,843,634	3,015,135	12,060,538	70,885,341	114,804,648
Trade and other payables	4,914,780	-	-	-	4,914,780
	33,758,414	3,015,135	12,060,538	70,885,341	119,719,428

Undisbursed loan commitments

Taking into consideration its cash, bank balances and undrawn loan facilities the directors believe that the Company has enough funds and loan credit facilities to meet its undisbursed loan commitments.

Market risk

The Credit Committee oversees the market risk of the Company.

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

30 Financial risk management and review (continued)

Currency Risk

The ALCO oversees the currency risk of the Company.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. Currency risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured.

The Company is exposed to foreign currency risk on its transactions that are denominated in currencies other than USD. The loans and advances provided to the borrowers in a currency other than the USD are predominantly hedged by its borrowings in the same currency.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Company, primarily USD, but also EUR.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company ensures that its net exposure is kept to an acceptable level by entering into forward contracts.

At 31 December 2017, the Company had liabilities denominated in Euro and Great Britain Pound Sterling.

Currency profile

The currency profile of the Company's financial assets and liabilities at the reporting date is summarised as follows:

	Financial Assets	**Financial Liabilities**	**Financial Assets**	**Financial Liabilities**
	31-Dec-17		31-Dec-16	
	USD	**USD**	USD	USD
United States Dollar	**441,128,805**	**23,804,072**	462,166,773	40,567,157
Great Britain Pound Sterling	**-**	**126,432**	-	602,743
Euro	**92,399,295**	**74,679,930**	76,928,018	78,549,528
	533,528,100	**98,610,434**	539,094,791	119,719,428

The following year end spot rate applied as at the reporting date is as follows:

	31-Dec-17	31-Dec-16
	USD	USD
USD:EUR	**0.83278**	0.94809
USD:GBP	**0.73923**	0.80929

Sensitivity analysis

A 10% strengthening/weakening of the USD against other currencies as at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Effects in USD	**Increase by 10%**		**Decrease by 10%**	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2017				
EUR	**(1,771,936)**	**(1,771,936)**	**1,771,936**	**1,771,936**
GBP	**12,643**	**12,643**	**(12,643)**	**(12,643)**

30 Financial risk management and review (continued)

Currency Risk (continued)

31 December 2016				
EUR	162,151	162,151	(162,151)	(162,151)
GBP	60,274	60,274	(60,274)	(60,274)

Interest rate risk

The ALCO assesses the interest rate risk of the Company.

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or are re-priced at different times or in different amounts. In the case of floating rate assets and liabilities the Company is also exposed to basis risk, which is the difference in re-pricing characteristics of the various floating rate indices, such as the base lending rate and different types of interest.

The Company has significant interest-bearing assets and liabilities. The Company's cash flows are dependent on changes in market interest rates.

At the reporting date the interest rate profile of the Company's interest-bearing financial instrument was as follows:

	31-Dec-17 **USD**	31-Dec-16 USD
Variable rate instruments		
Financial assets	**342,776,755**	409,362,396
Financial liabilities	**(26,809,074)**	(82,945,879)
	315,967,681	326,416,517

Sensitivity analysis

	Increase by 1%		**Decrease by 1%**	
	Equity **USD**	**Profit or loss** **USD**	**Equity** **USD**	**Profit or loss** **USD**
31 December 2017	**3,159,677**	**3,159,677**	**(3,159,677)**	**(3,159,677)**
31 December 2016	3,264,165	3,264,165	(3,264,165)	(3,264,165)

Price risk

As at 31 December 2017 the Company is exposed to price risk. The Company had available-for-sale financial assets which

31 Contingent liability

A claim has been made against the Company. The nature of the claim has not been disclosed due to confidentiality provisions as set out in the legal proceedings. Based on the evidence available, the facts and circumstances, the Board has concluded that the claim will be resolved with no material impact on the Company's financial position or results of the operations.

32 Events after reporting period

There are no material subsequent events after the reporting period.