The Emerging Africa Infrastructure Fund Limited

FINANCIAL STATEMENTS

For the year ended 31 December 2013

The Emerging Africa Infrastructure Fund Limited

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The Emerging Africa Infrastructure Fund Limited

Corporate data

Directors:	Position and committee	Appointed	Position held until
Resident			
K C Li Kwong Wing	Board Director	12/05/2003	03/04/2014
Jean Louis Jerome De Chasteauneuf	Board Director and member of Audit Committee	08/12/2003	-
Jean- Claude Bega	Board Director	03/04/2014	-
Non-Resident			
Beate Baethke	Board Director and voting member of New Business Committee	05/02/2007	14/11/2013
Robert Sack	Board Director and member of Audit Committee, Credit Committee and New Business Committee	21/09/2007	14/11/2013
Anthony Lea	Chairman of Board until 30 Jun 2013	16/02/2009	30/06/2013
Saud Ibne Siddique	Board Director and member of Audit Committee	01/02/2010	-
Roselyne Renel	Board Director	04/05/2011	30/08/2013
Mark Basten	Board Director	18/10/2013	17/11/2013
Mohammed Mahmoud Isa-Dutse	Interim Chairman of the Board 1 Jul 2013 to 31 Dec 2013. Member of the Credit Committee and New Business Committee	09/01/2013	-
Mary Ncube	Board Director and Chair of Audit Committee	06/02/2013	-
Jorrit Lars Dingemans	Board Director	15/05/2013	14/11/2013
Thomas Walter Duve	Board Director	18/11/2013	-
David Leslie Crawford White	Chairman of Board	01/01/2014	-

Alternate Directors:

Amal Autar (for K C Li Kwong Wing)
Bishwarnath Bachun (for K C Li Kwong Wing and Jean Louis Jerome De Chasteauneuf)
Wendy Kong Shing Cheong (for Jean Louis Jerome De Chasteauneuf)
Jan Martin Witte (for Thomas Walter Duve)

Fund Manager :

Frontier Markets Fund Managers Limited
(Formerly known as Standard Infrastructure Fund Managers Limited)
10th Floor
Tower A, 1 Cybercity
Ebène
Mauritius

Secretary

Standard Bank Trust Company (Mauritius) Limited
10th Floor
Tower A, 1 Cybercity
Ebène
Mauritius

Office:

10th Floor
Tower A, 1 Cybercity
Ebène
Mauritius

Auditors:

KPMG
KPMG Centre
31 Cybercity
Ebène
Mauritius

The Emerging Africa Infrastructure Fund Limited

Directors' report

The directors are pleased to present their report together with the audited financial statements of The Emerging Africa Infrastructure Fund Limited (the "Company") for the year ended 31 December 2013.

Principal activity

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

Results and dividend

The results for the year are shown on page 6.

The directors do not recommend the payment of a dividend for the year under review.

Statement of directors' responsibilities in respect of financial statements

Company law requires the directors to prepare financial statements for each financial year which present fairly 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 judgments 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 2001 and 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.

The Emerging Africa Infrastructure Fund Limited

Secretary's report

Under Section 166(d) of the Companies Act 2001

We certify that, to the best of our knowledge and belief, the Company has filed with the Registrar of Companies all such returns as are required of the Company under the Companies Act 2001 during the financial period ended 31 December 2013.

....
CORPORATE SECRETARY
Standard Bank Trust Company (Mauritius) Limited
10th Floor, Tower A
1 Cybercity
Ebène
Mauritius

Date: 30 Apr 2014

KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius

Telephone + 230 406 9999
Telefax + 230 406 9998
BRN No: F07000189
Website www.kpmg.mu

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

Report on the Financial Statements

We have audited the financial statements of The Emerging Africa Infrastructure Fund Limited (the "Company"), which comprise the statement of financial position at 31 December 2013 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 35.

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 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.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF THE EMERGING AFRICA INFRASTRUCTURE FUND LIMITED (CONTINUED)

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Emerging Africa Infrastructure Fund Limited at 31 December 2013 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.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

We have no relationship with or interests in the Company other than in our capacity as auditors and tax 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
Ebène, Mauritius

Reesan Emrith
Licensed by FRC

Date: 30 APR 2014

The Emerging Africa Infrastructure Fund Limited

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2013

	Note	2013 USD	2012 USD
Interest income		**23,039,913**	20,742,528
Interest expense		**(3,518,201)**	(4,989,573)
Net interest income		**19,521,712**	15,752,955
Other income			
Interest income on cash deposit		**202,240**	111,085
Interest on income notes		**9,976**	10,003
Amortisation of upfront fees	20	**694,924**	654,097
Amortisation of commitment fees	20	**604,204**	337,489
Deferral fee income	20	**151,466**	101,698
Waiver fees and participating and prepayment fees		**705,164**	-
Loan administration and other fees		**483,969**	854,268
Appraisal fees		**85,000**	323,331
Grant released	20	**155,892**	296,983
Total other income		**3,092,835**	2,688,954
Other expenses			
Grant expenditure		**(155,892)**	(296,983)
Fund manager expenses	23	**(8,398,328)**	(3,919,516)
Professional fees and expenses		**(836,389)**	(489,820)
Administration expenses		**(844,603)**	(853,786)
Amortisation of loan expenses	14	**(3,902,166)**	(2,805,554)
Amortisation of debt facility costs	15	**(74,089)**	(86,900)
Monitoring fees		**(28,266)**	-
Provision for impairment of loans	27	**1,920,718**	(22,116,524)
Foreign exchange gain/(loss)	9	**1,202,941**	(165,821)
Total other expenses		**(11,116,074)**	(30,734,904)
Profit/(loss) before tax		**11,498,473**	(12,292,995)
Income tax expense	10	**(248,864)**	(273,142)
Profit/(loss)		**11,249,609**	(12,566,137)
Other comprehensive income			
Items that are or may be reclassified to profit or loss	12	**(28,334)**	-
Total other comprehensive loss		**(28,334)**	-
Total comprehensive income/(loss) for the year		**11,221,275**	(12,566,137)

The notes on pages 10 to 35 form an integral part of these financial statements

The Emerging Africa Infrastructure Fund Limited

Statement of financial position
as at 31 December 2013

	Note	2013 USD	2012 USD
ASSETS			
Non-current assets			
Loans and advances	11	**338,251,406**	298,665,227
Available-for-sale financial assets	12	**1,270,174**	1,298,508
Convertible Grant	13	**412,831**	412,831
Deferred expenses	14	**3,976,430**	6,305,159
Debt facility costs	15	**-**	74,089
		343,910,841	306,755,814
Current assets			
Loans and advances	11	**27,003,497**	27,420,047
Trade and other receivables	16	**4,580,040**	4,792,959
Prepayments		**30,809**	61,558
Cash and cash equivalents		**83,114,134**	21,034,815
Total current assets		**114,728,480**	53,309,379
TOTAL ASSETS		**458,639,321**	360,065,193
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**357,245,590**	194,798,600
Share premium		**10**	-
Revaluation reserve		**(617,739)**	(589,405)
Retained earnings		**19,514,289**	8,264,680
TOTAL EQUITY		**376,142,150**	202,473,875
LIABILITIES			
Non-current liabilities			
Loans and borrowings	19	**61,312,291**	62,397,773
Deferred income	20	**7,141,858**	6,768,698
Total non-current liabilities		**68,454,149**	69,166,471
Current liabilities			
Loans and borrowings	19	**9,498,111**	87,311,952
Current tax liabilities	21	**44,010**	213,149
Derivative financial instrument	17	**121,259**	205
Trade and other payables	22	**4,379,642**	899,541
Total current liabilities		**14,043,022**	88,424,847
TOTAL EQUITY AND LIABILITIES		**458,639,321**	360,065,193

These financial statements were approved and signed on: 30 APR 2014

David L C Whitty

Director: Director:

The notes on pages 10 to 35 form an integral part of these financial statements

The Emerging Africa Infrastructure Fund Limited

Statement of Changes in Equity
For the year ended 31 December 2013

	Share capital USD	Share Premium USD	Revaluation Reserve USD	Retained earnings USD	Total USD
Balance at 01 January 2012	152,432,600	-	(589,405)	20,830,817	172,674,012
Total comprehensive income					
Other comprehensive income	-	-	-	-	-
Loss for the year	-	-	-	(12,566,137)	(12,566,137)
Total comprehensive loss	-	-	-	(12,566,137)	(12,566,137)
Transaction with owner of the Company					
Contribution					
Issue of shares	42,366,000	-	-	-	42,366,000
Total contribution	42,366,000	-	-	-	42,366,000
Balance at 31 December 2012	194,798,600	-	(589,405)	8,264,680	202,473,875
Total comprehensive income					
Other comprehensive income	-	-	**(28,334)**	-	**(28,334)**
Profit for the year	-	-	-	**11,249,609**	**11,249,609**
Total comprehensive income	**-**	**-**	**(28,334)**	**11,249,609**	**11,221,275**
Transaction with owner of the Company					
Contribution					
Issue of shares	**162,446,990**	**10**	-	-	**162,447,000**
Total contribution	**162,446,990**	**10**	**-**	**-**	**162,447,000**
Balance at 31 December 2013	**357,245,590**	**10**	**(617,739)**	**19,514,289**	**376,142,150**

The notes on pages 10 to 35 form an integral part of these financial statements

The Emerging Africa Infrastructure Fund Limited

Statement of Cash Flows
For the year ended 31 December 2013

	2013 USD	2012 USD
Cash flow from operating activities		
Profit/(Loss) for the year	**11,249,609**	(12,566,137)
Adjustments for:-		
Amortisation of loan fees income	**(1,450,594)**	(1,093,284)
Interest income on cash deposit	**(202,240)**	(111,085)
Amortisation of loan fees expense	**3,976,255**	2,892,454
Net interest income	**(19,521,712)**	(15,752,955)
Grant released to statement of comprehensive income	**(155,892)**	(296,983)
Provision for impairment of loan	**(1,920,718)**	22,116,524
Unrealised foreign exchange gain	**(1,138,756)**	(609,643)
Foreign exchange loss on forward contract	**121,054**	207,758
Income tax paid	**248,864**	273,142
	(8,794,130)	(4,940,209)
Changes in:		
- Disbursement of loans and advances	**(59,073,237)**	(54,272,967)
- Repayment of loans and advances	**32,386,595**	38,098,358
- Commitment and upfront fees received	**1,979,301**	2,123,715
- Trade and other receivables	**383,034**	289,862
- Trade and other payables	**3,480,101**	(1,413,042)
	(29,638,336)	(20,114,283)
Interest income	**16,195,707**	14,569,784
Interest expense	**(3,518,201)**	(4,989,573)
Income tax paid	**(418,003)**	(84,474)
Net cash used in operating activities	**(17,378,833)**	(10,618,546)
Cash flows from investing activities		
Acquisition of grant	**-**	(377,806)
Interest received on cash deposit	**62,874**	76,170
Net cash from/(used in) investing activities	**62,874**	(301,636)
Cash flows from financing activities		
Issue of ordinary shares	**162,447,000**	42,366,000
Loan commitment and upfront fees paid	**(1,573,437)**	(1,501,904)
Proceeds from borrowings	**51,910,378**	35,686,085
Repayment of borrowings	(133,388,663)	(56,426,082)
Net cash from financing activities	79,395,278	20,124,099
Net increase in cash and cash equivalents	**62,079,319**	9,203,917
Cash and cash equivalents at 01 January	**21,034,815**	11,830,898
Cash and cash equivalents at 31 December	83,114,134	21,034,815

The notes on pages 10 to 35 are an integral form part of these financial

1. Reporting entity

The Emerging Africa Infrastructure Fund Limited, the "Company" was incorporated on 18 December 2001 and was granted a Category 1 Global Business Licence on 29 April 2002 and operates as a Closed End Fund (exempt status) with effect from January 2011 under the Securities Act. Previously, it operated as a Collective Investment Scheme.

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.

Since the Company operates in an international environment and conducts most of its transactions in foreign currencies, the Company has chosen to retain the United States Dollar ("USD") as its reporting currency.

2. Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and are in compliance with the Mauritius Companies Act. They were authorised for issue by the Company's board of directors on the date stated on the statement of financial position.

Where necessary, comparative figures have been amended to conform with changes in presentation in the current year.

3. Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional currency.

4. Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

(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.

(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 ending 31 December 2013 is set out below in relation to the impairment of financial instruments:

Impairment of financial instruments

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on fund manager's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Committee.

5. Basis of measurement

The financial statements have been prepared on a historical cost basis except for the following items.

Items	Measurement basis
Available-for-sale financial assets	Fair value
Loans and advances	Amortised cost
Loans and borrowings	Amortised cost
Derivative financial instruments	Fair value

6. Changes in accounting policies

Except for the changes below, the Company has consistently applied the accounting policies as described in note 7 to all periods presented in these financial statements.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standard, with a date of initial application of 01 January 2013.

a. IFRS 13 Fair Value Measurement.
b. Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7).
c. Presentation of Items of Other Comprehensive Income (Amendments to IAS 1).

The nature and the effects of the changes are explained below.

(a) Fair value measurement

In accordance with the transitional provisions of IFRS 13, the Company has applied the new definition of fair value prospectively. The change had no significant impact on the measurements of the Company's assets and liabilities, but the Company has included new disclosures in the financial statements, which are required under IFRS 13. These new disclosure requirements are not included in the comparative information. However, to the extent that disclosures were required by other standards before the effective date of IFRS 13, the Company has provided the relevant comparative disclosures under those standards.

(b) Offsetting financial assets and financial liabilities

As a result of the amendments to IFRS 7, the Company has expanded disclosures about offsetting financial assets and financial liabilities.

(c) Presentation of items of OCI

As a result of the amendments to IAS 1, the Company has modified the presentation of items of OCI in its statement of profit or loss and OCI, to present items that would be reclassified to profit or loss in the future separately from those that would never be. Comparative information has been re-presented on the same basis.

7. Significant accounting policies

Except for the changes explained in Note 6, the Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Comparative information has been reclassified, as necessary, to conform to the current year's presentation.

(a) Foreign currency

(i) 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. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot 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 spot 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 OCI.

(b) Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts 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 and points 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 and expense presented in the statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

(c) Upfront and Commitment fees income and expense

Upfront fees income from borrowers on loans are regarded as origination fees and upfront fees expense paid to lenders on loans are regarded as transaction costs. Commitment fees income from borrowers on undrawn loan commitment and commitment fees expense paid to lenders on undrawn loan committed are capitalised and amortised over the life of the underlying loan on an effective yield basis.

(d) Debt facility costs

Fees incurred in the establishment of the debt facility have been capitalised and are amortised over the life of the underlying loans on an effective yield basis.

7. Significant accounting policies (continued)

(e) Grants

Income related to grants are recognised at their fair values in the statement of comprehensive income and when the Company has complied with all attached conditions.

Grants relating to projects which have complied with all attached conditions are deferred and recognised in the statement of profit of loss and other comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(f) 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.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year 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.

(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 is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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 they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(ii) Tax exposures

In determining the amount of current and deferred tax, the Company considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

7. Significant accounting policies (continued)

(g) Financial assets and financial liabilities

(i) Recognition

The Company initially recognises loans and advances on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

The Company classifies its financial assets into the following categories:

- loans and receivables and
- available-for-sale

Financial liabilities

The Company classifies its financial liabilities, other than loan commitments and derivative financial instrument, as measured at amortised cost.

(iii) Derecognition

Financial assets

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.

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.

Financial liabilities

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

7. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

Financial liabilities (continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

Policy applicable from 01 January 2013

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

7. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(vi) Fair value measurement (continued)

Policy applicable from 01 January 2013 (continued)

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

'Fair value' is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Company has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

(vii) Identification and measurement of impairment

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. A financial asset or a Company of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower will enter bankruptcy;

The Company considers evidence of impairment for loans and advances at a specific asset level. All individually significant loans and advances are assessed for specific impairment.

7. Significant accounting policies (continued)

(g) Financial assets and financial liabilities (continued)

(vii) Identification and measurement of impairment (continued)

In assessing impairment, the Company uses financial modelling to assess the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected against loans and advances. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale assets are recognised by reclassifying the losses accumulated in the revaluation reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale assets 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; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Company writes off a loan, either partially or in full, and any related allowance for impairment losses, when the Credit Committee determines that there is no realistic prospect of recovery.

7. Significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand and call deposits held with banks and are carried at amortised cost in the statement of financial position.

(i) Loans and advances

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans and advances are classified as loans and receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(k) Loan commitments

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from commitments to provide a loan are initially measured at fair value and the initial fair value is amortised over the life of the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Commitments to provide a loan at a below-market interest rate are included within other liabilities.

(l) Share Capital and reserves

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.

8. New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 01 January 2013, and have not been applied in preparing these financial statements. Those that may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

Effective for the financial year commencing 01 January 2014

- IAS 32 *Offsetting Financial Assets and Financial Liabilities*
- *Recoverable Amount Disclosures for Non-Financial Assets* (Amendment to IAS 36)

Effective for the financial year commencing tentatively 1 January 2018

- IFRS 9 *Financial Instruments*

8. New Standards and interpretations not yet adopted (continued)

Amendments to IAS 32 Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities

The amendments clarify when an entity can offset financial assets and financial liabilities. This amendment will result in the Company no longer offsetting two of its master netting arrangements. This amendment is effective for annual periods beginning on or after 01 January 2014 with early adoption permitted.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The amendments reverse the unintended requirement in IFRS 13 *Fair Value Measurement* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.

The amendments apply retrospectively for annual periods beginning on or after 01 January 2014 with early adoption permitted. The Company will adopt the amendments for the year ending 31 December 2014.

IFRS 9 Financial Instruments

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

The Company will adopt the standard in the first annual period beginning on or after the effective date which has tentatively been set as 01 January 2018.

The Company will assess the impact once the standard has been finalised and the effective date is known.

9 Foreign exchange gain/(loss)

	2013 USD	2012 USD
Unrealised gain on net loans	**1,080,062**	607,704
Unrealised loss on cash balances	**109,771**	(673,192)
Gain on monetary transactions	**137,845**	154,135
Loss on forward contracts	**(124,737)**	(254,468)
Foreign exchange gain/(loss)	**1,202,941**	(165,821)

10 Income tax expense

The Company is subject to income tax in Mauritius at 15% (2012: 15%). It is entitled, however, to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritius tax on its foreign source income. Capital gains tax are exempt from tax in Mauritius.

	2013 USD	2012 USD
Income tax movement for the year	**248,864**	273,142
Reconciliation of effective tax rate		
Profit/(loss) from operations	**11,498,473**	(12,292,995)
Income tax at 15%	**1,724,771**	(1,843,949)
Add:Exempt income	**(30,336)**	(16,663)
Non deductible income	**(450,117)**	(91,156)
Non deductible expense	**-**	3,317,479
Tax credit	**(995,454)**	(1,092,569)
Deferred tax released for the year	**248,864**	273,142

The information has been redacted because of its commercially sensitive nature

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14 Deferred expenses

	Upfront fees USD	Commitment fees USD	Accordian fees USD	Refinancing cost USD	Total USD
At 1 Jan 2013	2,257,573	3,943,614	52,255	51,717	6,305,159
Movement during the year	-	1,573,437	-	-	1,573,437
Amortisation charge	(776,722)	(3,021,472)	(52,255)	(51,717)	(3,902,166)
Balance at 31 December 2013	**1,480,851**	**2,495,579**	**-**	**-**	**3,976,430**

15 Debt facility costs

	2013 USD	2012 USD
Cost	**1,151,343**	1,151,343
Amortisation		
At start of year	**1,077,254**	990,354
Charge for the year	**74,089**	86,900
At end of year	**1,151,343**	1,077,254
Carrying amount		
At 31 December	**-**	74,089

16 Trade and other receivables

	2013 USD	2012 USD
Bank accrued interest	**174,358**	34,992
Interest accrued on income notes	**45,298**	35,322
Loan interest receivable	**4,360,384**	4,722,645
	4,580,040	4,792,959

17 Derivative financial instrument

	2013 USD	2012 USD
Forward foreign exchange contracts liabilities	**121,259**	205

The notional principal amount of the outstanding forward foreign exchange contract as at 31 December 2013 is Euro 35,350,162 (2012 - Euro 231,000).

18 Share capital

	2013		2012	
Issued and fully paid	**Number of shares**	**USD**	Number of shares	USD
Ordinary shares:-				
At 1 January	**19,479,860**	**194,798,600**	15,243,260	152,432,600
Isssue of shares	**16,244,699**	**162,446,990**	4,236,600	42,366,000
At 31 December	**35,724,559**	**357,245,590**	19,479,860	194,798,600

Holders of ordinary shares are entitiled to dividend as declared from time to time and are entitled to one vote per share at general meeting of the Company. All rights attached to the Company's shares held by the Company until those shares are re-issued.

19 Loans and borrowings

	2013	2012
Non-Current liabilities	**USD**	USD
Senior loans:		
International Finance Corporation	**28,214,590**	11,958,731
African Development Bank	**22,962,222**	9,621,114
Oesterreichische Entwicklungsbank AG	**10,135,479**	4,067,729
	61,312,291	25,647,574
Subordinated loans:		
Development Bank of Southern Africa	-	10,838,973
Nederlandse Financierings - Maatschappij voor	-	-
Ontwikkelingslanden N.V (FMO)	-	17,157,982
Deutsche Investitions-Und Entwicklungsgesellschaft mbh (DEG)	-	8,753,244
	-	36,750,199
Total non-current liabilities	**61,312,291**	62,397,773

19 Loans and borrowings (continued)

	2013 USD	2012 USD
Current liabilities:		
Senior loans:		
Barclays Bank Plc	-	34,511,362
Standard Bank of South Africa Limited	-	23,737,724
Kreditanstalt Für Wiederaufbau	-	15,804,281
International Finance Corporation	**3,984,402**	1,157,106
African Development Bank	**3,825,251**	1,602,771
Oesterreichische Entwicklungsbank AG	**1,688,458**	677,639
Subordinated loans:		
Development Bank of Southern Africa	-	2,919,480
Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V (FMO)	-	4,579,026
Deutsche Investitions-Und Entwicklungsgesellschaft mbh (DEG)	-	2,322,563
Total current liabilities	**9,498,111**	87,311,952

The interest bearing borrowings are denominated in the following currencies

US dollars	**28,935,982**	55,604,058
Euro 30,357,698 (2012 - Euro 71,219,168)	**41,874,420**	94,105,667
	70,810,402	149,709,725

As at 31 December 2013, the undrawn loan commitments amounted to USD 135,000,000 and Euro 10,000,000 detail as follows:

Kreditanstalt Für Wiederaufbau	USD 45,000,000
International Finance Corporation	USD 45,000,000
African Development Bank	USD 45,000,000
Oesterreichische Entwicklungsbank AG	EUR 10,000,000

Following the equity injection of USD 81,566,990 in the first three quarters of 2013, the EAIF Board took the decision to use this equity to fully prepay EAIF'S sub lenders, Nederlandse Financierings - Maatschappij voor O.N.V., Deutsche Investitions Und Entwicklungsgesellschaft and Development Bank South Africa on 15 November 2013.

On 15 November 2013, the tenor of the senior debt relating to Barclays and Standard Bank of South Africa came to an end where upon they were paid.

20 Deferred income

	Grant USD	Deferral fees USD	Upfront fees USD	Commitment fees USD	Total USD
At 01 January 2013	379,830	473,003	3,731,666	2,184,199	6,768,698
Movement during the year - fees received/reimbursed	-	492,652	300,000	1,186,649	1,979,301
Foreign exchange	-	-	-	345	345
Amortisation charge	(155,892)	(151,466)	(694,924)	(604,204)	(1,606,486)
At 31 December 2013	**223,938**	**814,189**	**3,336,742**	**2,766,989**	**7,141,858**

21 Current tax liabilities

	2013 USD	2012 USD
At 01 January	**213,149**	24,481
Tax paid during the year	**(418,003)**	(84,474)
Movement during the year	**248,864**	273,142
At 31 December	**44,010**	213,149

22 Trade and other payables

	2013 USD	2012 USD
FMFML:		
- Fixed fee	**1,150,861**	1,012,212
- Performance fees	**2,474,192**	(990,000)
Travel and other expenses	**878**	-
Account bank fees due	-	11,667
MDY legal fees	**317,645**	118,801
Loan interest payable	**236,097**	526,533
Company management fees	**5,639**	2,113
Consultancy fees	**97,381**	22,425
Directors fees	**17,104**	1,111
Refund excess prepayment fees	**37,871**	-
Reimbursement of TAF fund	-	3,701
Reimbursement of expenses to GuarantCo	-	142,223
Account Bank accrual	**11,667**	-
Environmental, Social and Advisory fees accrued	**4,944**	-
TOPL - Fugar	-	5,007
Travel expenses TOPL	-	18,448
Audit fees	**25,363**	25,300
	4,379,642	899,541

23 Fees

(a) Fund Management fees

Substantially all of the Company's management, administration and reporting are set out under the Third Amended and Restated Fund Management Agreement entered into with Frontier Markets Fund Managers Limited ("FMFML") as the Fund Manager, a private Company incorporated in Mauritius and 100% owned by Harith Investment Partners (Pty) Ltd as from 8 November 2013.

23 **Fees (continued)**

The below mentioned shareholders had sold their entire holdings to Harith Investment Partners (Pty) Ltd:

Standard Bank Group Limited	70.00%
Nederlandse Financierings - Maatschappij voor Ontwikkelinglanden(FMO) N.V	18.42%
EMP (Africa) L.L.C	11.58%

FMFML is entitled to receive the following fees from the Company under the terms of the Third Amended and Restated Fund Management Agreement between the Fund, FMFML and Harith General partners (Pty) Ltd:

(i) A Fixed fee payable quarterly in arrears and calculated at 0.3125% of the average disbursed performing loans subject to a quarterly minimum of USD 850,000 and an annual maximum of USD 5,000,000.

(iii) A Performance Fee calculated at 25% of the Profit or Loss before any Taxes and Performance Fee (PBLTPF). The performance fee is payable on a bi-annual basis on 30 June and 31 December each year.

Fund Management fees

	2013 USD	2012 USD
Fixed fee	**4,239,153**	3,962,762
Performance fee over accrued (prior years)	**-**	(43,246)
Performance fee for the year	**4,159,175**	-
	8,398,328	3,919,516

(b) ***Facility Agency fees***

The Senior and Subordinate facility agents are paid an annual fee of USD 50,000 and USD 25,000 respectively. These fees are payable in advance. Following the decision by the EAIF Board to prepay all its subordinated debt on 15th November 2013, the subordinate facility Agent fees has been pro-rated for 2013 as a result.

(c) ***Security Trustee fee***

The Security Trustee, Barclays Capital London, is paid an annual fee amounting to USD 20,000, indexed to US Consumer Price Index. This fee is payable in advance.

(d) ***Account Bank fees***

The Account Bank, Barclays Bank Plc's International Banking Division, is paid a fee of USD 20,000.This fee is payable in advance.

(e) **Advisory and Administrative Services Agreements**

FMFML has subcontracted certain support services in respect of the Fund Management Agreement as follows:

Advisory Services Agreement

FMFML has subcontracted certain support services in respect of the Third Amended and Restated Fund Management Agreement between the Fund, FMFML and Harith Partners UK Ltd. These subcontracted services are detailed under the above mentioned agreement.

Administrative Services Agreement

FMFML subcontracts part of its administrative support services to Standard Bank Trust Company (Mauritius) Limited, "SBTCM". This is detailed in the Amended and Restated Emerging Africa Infrastructure Fund Administrative Services Agreement between FMFML and SBTCM dated 1 December 2006. SBTCM is a subsidiary of Standard Bank Offshore Group Limited, a company incorporated in Jersey, Channel Island.

24 Fund capital structure

	2013 USD	2012 USD
Equity:		
Provided by the Private Infrastructure Development Group ("PIDG") [1] through the PIDG Trust. The trustees of the PIDG Trust are MC Trust Ltd, Minimax Ltd and SG Hambros Trust Company Ltd. Each trustee holds shares in the company jointly as trustees of the PIDG Trust.	**357,245,600**	194,798,600
Subordinated Debt:		
Provided by dutch, South African and German development finance institutions:		
FMO	-	40,000,000
DBSA	-	25,000,000
DEG	-	20,000,000
Senior Debt:		
Provided by private sector lenders:		
Barclays Bank	-	100,000,000
Standard Bank Group	-	87,500,000
Kreditanstalt für Wiederaufbau	**82,500,000**	95,000,000
International Finance Corporation	**81,250,000**	93,750,000
African Development Bank	**88,750,000**	88,750,000
Oesterreichische Entwicklungsbank AG[2]	**27,587,348**	26,427,061
Total fund capital	637,332,948	771,225,661

On 15th November 2013, all of the subordinated debt and the senior debt of Barclays Bank and Standard Bank of South Africa repaid.

[1] PIDG comprises: the UK Government's Department for International Development ("DFID"); The Swedish Government, acting through the Swedish International Development Co-operation Agency; the Netherlands Minister for Development Co-operation; the Swiss State Secretary for Economic Affairs of the Government of the Confederation of Switzerland and the World Bank.

[2] Oesterreichische Entwicklungsbank AG(commitment limited to Euro 20m).

25 Board of directors

Anthony Lea was chairman of the Board until 30 June 2013.

Mohammed Mahmoud Isa-Dutse was appointed interim chairman of the Board with effect from 01 July 2013 to 31 December 2013.

David Leslie Crawford White was appointed Chairman of the Board with effect from 01 January 2014.

Following the full repayment of the Barclays and Standard Bank of South Africa senior debt on 15 November 2013, Robert Sack, Roselyn Renel and Mark Basten ceased to be directors. Similarly, following the prepayment of the FMO sub-debt on 15 November 2013, Jorrit Lars Dingemans and Hein Gietema ceased to be directors.

26 Related party transactions

Related party transactions are carried out on an arm's length basis.

	2013 USD	2012 USD
PIDG Trust		
Grant recognised in the statement of profit or loss and other comprehensive income	155,892	296,983
Grant deferred (note 20)	223,938	379,830
Issue of shares	162,446,990	42,366,000

27 Financial instruments and associated risks

(a) Accounting classification and fair values

The following table shows the carrying amounts of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is an approximation of fair value.

	Carrying amount				Fair value			
	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
2013								
Financial assets measured at fair value								
Loan and advances	365,254,903	-	-	365,254,903	-	365,254,903	-	365,254,903
Available-for-sale financial assets	-	7,247	-	7,247	-	7,247	-	7,247
	365,254,903	7,247	-	365,262,150				
Financial assets not measured at fair value								
Trade and other receivables	4,580,040	-	-	4,580,040				
Cash and cash equivalents	83,114,134	-	-	83,114,134	-	83,114,134	-	83,114,134
Available-for-sale financial assets	-	1,262,927	-	1,262,927				
	87,694,174	1,262,927	-	88,957,101				
Financial liabilities measured at fair value								
Loans and borrowings	-	-	70,810,402	70,810,402	-	70,810,402	-	70,810,402
Derivative financial instrument	-	-	121,259	121,259	-	121,259	-	121,259
	-	-	70,931,661	70,931,661				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	4,379,642	4,379,642				
	-	-	4,379,642	4,379,642				

27 Financial instruments and associated risks (continued)

(a) Accounting classification and fair values (continued)

	Carrying amount				Fair value			
	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
2012								
Financial assets measured at fair value								
Loan and advances	326,085,274	-	-	326,085,274	-	326,085,274	-	326,085,274
Available-for-sale financial assets	-	35,581	-	35,581	-	35,581	-	35,581
	326,085,274	35,581	-	326,120,855				
Financial assets not measured at fair value								
Trade and other receivables	4,792,959	-	-	4,792,959				
Cash and cash equivalents	21,034,815	-	-	21,034,815	-	21,034,815	-	21,034,815
Available-for-sale financial assets	-	1,262,927	-	1,262,927				
	25,827,774	1,262,927	-	27,090,701				
Financial liabilities measured at fair value								
Loans and borrowings	-	-	149,709,725	149,709,725	-	149,709,725	-	149,709,725
Derivative financial instrument	-	-	205	205	-	205	-	205
	-	-	149,709,930	149,709,930				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	899,541	899,541				
	-	-	899,541	899,541				

27 Financial instruments and associated risks (continued)

Financial risk management

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

The Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Credit Committee, which is responsible for developing and monitoring the Company's risk management policies. The 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 future development of the business.

The Board maintains a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to 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.

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 Credit Committee has established a credit policy under which each new borrower is individually analysed for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

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 balance sheet. 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 carrying amount of the financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2013 USD	2012 USD
Loans and advances	**385,450,709**	348,201,798
Available-for-sale financial assets	**1,270,174**	1,298,508
Cash and cash equivalents	**83,114,134**	21,034,815
Trade and other receivables	**4,580,040**	4,792,959
	474,415,057	375,328,080

27 Financial instruments and associated risks (continued)

Credit risk (continued)

Loan interest receivable

None of the trade receivables as at the reporting are past their due date.

The maximum exposure to credit risks for trade receivables at the reporting date by geographic region was as follows:

	2013 USD	2012 USD
Republic of Cameroon	298,172	342,162
Mozambique	67,256	77,623
Republic of Nigeria	1,515,749	2,041,189
Madagascar	-	9,048
Uganda	407,308	342,627
Kenya	545,467	609,191
Malawi	-	3,889
Congo	42,206	-
Algeria	200,690	11,706
East Africa	539,642	609,130
Pan Africa	225,951	214,342
Senegal	153,330	185,387
Tanzania	80,954	157,800
Ethiopia	108,429	118,255
Ghana	23,559	-
Ivory Coast	151,671	-
Tunisia	-	296
	4,360,384	4,722,645

	2013 USD	2012 USD
Mining	67,256	77,623
Telecommunications	849,690	1,248,425
Industrial Infrastructure	3,443,438	3,396,597
	4,360,384	4,722,645

Loans and advances

	2013 USD	2012 USD
Republic of Cameroon	21,415,697	24,244,977
Mozambique	53,674,692	49,877,423
Republic of Nigeria	76,926,913	79,760,528
Madagascar	-	516,800
Uganda	35,655,955	38,191,259
Kenya	32,973,169	35,430,441
Malawi	-	222,105
Algeria	16,000,000	17,000,000
East Africa	31,417,801	33,842,301
Pan Africa	34,600,248	22,808,507
Senegal	11,052,181	12,899,709
Tanzania	19,667,500	15,825,000
Ethiopia	13,178,571	12,000,000
Ghana	11,538,245	-
Ivory Coast	8,880,422	-
Tunisia	12,000,000	2,000,000
Republic of Rwanda	6,469,315	3,582,748
	385,450,709	348,201,798

	2013 USD	2012 USD
Mining	53,674,692	49,877,423
Telecommunications	61,135,191	54,063,811
Industrial Infrastructure	270,640,826	244,260,564
	385,450,709	348,201,798

27 Financial Instruments and associated risks (continued)

Credit risk (continued)

Impairment

The movement for impairment on loans and advances during the year was as follows:

	USD
Balance at 01 January 2012	-
Movement	22,116,524
Balance at 31 December 2012	22,116,524
Movement	(1,920,718)
Balance at 31 December 2013	20,195,806

Cash and cash equivalents

The Company held cash and cash equivalents of USD 83,114,134 as at 31 December 2013 (2012: 21,034,815). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A (Stable) long term, based on rating agency Standard & Poor's ratings.

Liquidity risk

The Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

Per the Master Agreement, the Company undertakes to each Facility Agent, the Security Trustee, the Account Bank and each lender that:

(a) as of the last day of any quarter , the Debt to Equity Ratio to exceed 2:1;

(b) as of the last day of any quarter, Interest Cover in respect of the relevant Calculation Period to fall below a ratio of 1.5:1;

(c) (i) the Equity of the Company to fall below USD100,000,000 at any time;

(ii) the Equity of the Company to fall below US$110,000,000 at any time after the date (if any) upon which the Company first provides to the Facility Agents its audited financial statements in respect of the immediately preceding Financial Year demonstrating that the Equity of the Company as at the end of such Financial Year was in excess of US$175,000,000; and

(iii) the Equity of the Company to fall below US$120,000,000 at any time after the date (if any) upon which the Company first provides to the Facility Agents its audited financial statements in respect of the immediately preceding Financial Year demonstrating that the Equity of the Company as at the end of such Financial Year was in excess of US$200,000,000.

The following are the contractual maturities of the financial liabilities at the reporting date, including interest payments and excluding the impact of netting agreements:

31 December 2013

	Less than 6 months	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
Loans and borrowings	**4,749,056**	**4,749,055**	**18,996,222**	**42,316,069**	**-**	**70,810,402**
Trade and other payables	**-**	**4,379,642**	**-**	**-**	**-**	**4,379,642**
	4,749,056	**9,128,697**	**18,996,222**	**42,316,069**	**-**	**75,190,044**

31 December 2012

	Less than 6 months	**6-12 months**	**1-2 years**	**2-5 years**	**More than 5 years**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
Loans and borrowings	28,871,646	58,440,306	16,696,101	45,701,672	-	149,709,725
Trade and other payables	-	899,541	-	-	-	899,541
	28,871,646	59,339,847	16,696,101	45,701,672	-	150,609,266

27 Financial instruments and associated risks (continued)

Market risk

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.

Currency risk

The Company is exposed to foreign currency risk on its transactions that are denominated in currencies other than United States Dollar.

The principal amounts of the Company's loans, taken out by US dollars, the functional currency and have been predominantly hedged with the 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 US Dollar, but also Euro.

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 buying or selling foreign currencies at spot rates or by purchasing derivative hedging instruments when necessary to address short-term imbalances.

Currency risk

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
	2013		2012	
	USD	**USD**	USD	USD
United States Dollar	**383,396,078**	**33,275,375**	280,594,952	56,385,003
Great Britain Pound Sterling	**410**	**417,758**	404	118,801
Euro	**91,018,569**	**41,618,170**	94,732,724	94,105,667
	474,415,057	**75,311,303**	375,328,080	150,609,471

The Company is exposed to foreign currency risk on its transactions that are denominated in currencies other than United States Dollar. At 31 December 2013, the Company had liabilities denominated in Euro and Great Britain Pound Sterling. The Company also held asset, AES Sonel, Aldwych International Limited, Addax Bioenergy and Rabai Power Limited, denominated in Euro.

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

USD	**2013**	2012
EUR	0.72497	0.77263
GBP	0.60685	0.64889

A daily spot rate was applied on the date to which the transaction occurs.

27 Financial instruments and associated risks (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

At 4% strengthening 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.

	Increase by 4%		Decrease by 4%	
Effects in USD	**Equity**	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2013				
EUR	**(1,900,015)**	**(1,900,015)**	**2,058,350**	**2,058,350**
GBP	**16,052**	**16,052**	**(17,389)**	**(17,389)**
31 December 2012				
EUR	(24,118)	(24,118)	26,127	26,127
GBP	4,554	4,554	(4,933)	(4,933)

Interest rate risk

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 repriced 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 repricing 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. 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:

	2013	2012
	USD	USD
Variable rate instruments		
Financial assets	**473,152,130**	374,065,153
Financial liabilities	**(75,311,303)**	(150,609,471)
	397,840,827	223,455,682

Sensitivity Analysis

At 31 December 2013, if interest rate on currency denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the year and equity would have been USD 3,978,408 (2012: USD 2,234,557) higher/lower, mainly as a result of higher/lower interest income and expense on floating rate borrowings.

28 Subsequent events

There were no material subsequent events after the reporting date.