

The Emerging Africa Infrastructure Fund Limited
Financial Statements
For the year ended 31 December 2018

The Emerging Africa Infrastructure Fund Limited

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The Emerging Africa Infrastructure Fund Limited

Corporate Data

For the year ended 31 December 2018

Directors	Position and Committee	Appointment	Position held until
<i>Resident</i>			
Patrice Maveyraud	Board Director	4-Sep-17	Ongoing
Tchang Fa Wong Sun Thiong	Board Director	2-Feb-15	Ongoing
Kamal Taposeea	Board Director	1-May-18	Ongoing
<i>Non Resident</i>			
Saud Ibne Siddique	Board Director	1-Feb-10	30-Apr-18
Mary Thandiwe Ncube	Board Director	6-Feb-13	30-Apr-18
David Leslie Crawford White	Chair of Board	1-Jan-14	30-Apr-18
Julia Elizabeth Prescott	Board Director	23-Mar-15	30-Apr-18
Jeremy Patrick Stewart Crawford	Chair of Board	23-Mar-15	Ongoing
Oscar Eric Kang'oro	Board Director	25-Mar-15	30-Apr-18
Layth Al-Falaki	Board Director	1-May-18	Ongoing

The Emerging Africa Infrastructure Fund Limited

Corporate Data

For the period ended 31 December 2018

Fund Manager

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

Appointment 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

Legal Representatives

MDY Legal
Temple Chambers
3-7 Temple Avenue
London

Uteem Chambers
4th floor, les Jamalacs Building
Vieux Conseil Street
Port Louis
Mauritius

The Emerging Africa Infrastructure Fund Limited

Directors' report

For the period ended 31 December 2018

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 2018.

Principal activities

The principal activity of the Company is that of providing long-term financing to private sector infrastructure projects in 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 (2017: 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.

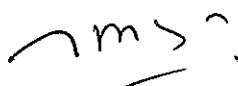
The directors have confirmed that they have complied with the above requirements in preparing the financial statements.

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: 02 APR 2019

The Emerging Africa Infrastructure Fund Limited

Secretary's report

For the period ended 31 December 2018

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 2018, 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: **02 APR 2019**



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31, Cybercity
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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 2018 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 42.

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 2018 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)

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 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

Date: **3 April 2019**

Désiré LAN CHEONG WAH, FCA
Licensed by FRC

The Emerging Africa Infrastructure Fund Limited

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Notes	Year Ended 31-Dec-18 USD	Year Ended 31-Dec-17 USD
Interest income on debt instruments at amortised cost	7	32,041,909	28,675,074
Interest income on debt instruments at fair value through other comprehensive income ("FVOCI")		7,497,352	9,423,588
Interest expense		(1,781,609)	(1,921,634)
Net interest income		37,757,652	36,177,028
Income from debt instruments at amortised cost - Shari'ah		251,806	55,022
Total investment income		38,009,458	36,232,050
Other income			
Interest income on deposits	8	269,108	178,696
Loan fee income	9	1,123,542	620,890
Grant income	25	6,523,362	2,340,053
Grant income - administrative		601,590	-
Amortisation of deferred income	25	1,729,015	2,514,035
Reimbursement of legal costs		-	124,045
Foreign exchange gain	10	2,018,713	-
Total other income		12,265,330	5,777,719
Other expenses			
Fund manager expenses	12	(10,717,752)	(11,352,552)
Monitoring fee expenses		(35,726)	(41,147)
Loan expenses		-	(79,375)
Professional fees and expenses		(748,998)	(692,905)
Administration expenses		(699,158)	(862,070)
Amortisation of deferred expenses	18	(3,184,813)	(1,053,269)
Grant expenses	25	(6,523,362)	(2,340,053)
PIDG administrative expense		(712,466)	-
Foreign exchange loss	10	-	(1,118,884)
Realised loss on debt instruments at amortised cost		(20,570,076)	-
		(43,192,351)	(17,540,255)
Profit before impairment of debt instruments		7,082,437	24,469,514
Impairment of debt instruments			
Reversal of provision for impairment of debt instruments at amortised cost	13 (i)	41,237,883	494,540
Provision for impairment of debt instruments at FVOCI and interest	13 (ii)	(217,752)	(3,008,324)
Reversal of provision for impairment of debt instruments at amortised cost - interest	13 (ii)	2,998,445	-
Provision for impairment of debt instruments at amortised cost	13 (iii)	-	(10,855,473)
Provision for impairment of debt instruments at amortised cost	13 (i)	(13,249,697)	(1,964,055)
Provision for impairment of debt instruments at amortised cost - expected credit losses ("ECL")	13 (i)	(2,196,939)	-
		28,571,940	(15,333,312)
Profit before tax		35,654,377	9,136,202
Income tax expense	11	(801,858)	(728,725)
Profit for the year		34,852,519	8,407,477
Other comprehensive income			
Realised gain on equity instruments at FVOCI		654,798	76,288
Fair value reserve - amount transferred to profit or loss		(629,011)	(156,367)
Fair value reserve - financial instruments at FVOCI		(9,422,571)	7,146,388
Total other comprehensive income	23	(9,396,784)	7,066,309
Total comprehensive income for the year		25,455,735	15,473,786

The notes on pages 13 to 42 form an integral part of these financial statements.

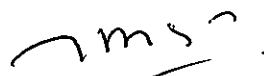
The Emerging Africa Infrastructure Fund Limited


Statement of financial position

As at 31 December 2018

	Notes	31-Dec-18	31-Dec-17
		USD	USD
Assets			
<i>Non-current assets</i>			
Debt instruments	15	435,475,830	415,367,490
Equity instruments	16	10,064,552	14,619,622
Deferred expenses	18	7,229,302	2,680,504
		<u>452,769,684</u>	<u>432,667,616</u>
<i>Current assets</i>			
Debt instruments	15	90,067,729	77,366,214
Derivative instruments	20	343,349	-
Trade and other receivables	19	7,507,382	8,012,128
Prepayments		41,520	53,336
Cash and cash equivalents	21	10,798,851	18,162,646
		<u>108,758,831</u>	<u>103,594,324</u>
Total Assets		<u>561,528,515</u>	<u>536,261,940</u>
Equity and Liabilities			
Equity			
Share capital	22	393,869,690	391,869,690
Share premium		10	10
Fair value reserve	23	2,644,284	10,853,068
Retained earnings		47,731,787	25,095,160
Total equity		<u>444,245,771</u>	<u>427,817,928</u>
Liabilities			
<i>Non-current liabilities</i>			
Loans and borrowings	24	83,781,404	85,611,623
Deferred income	25	12,036,158	9,833,578
		<u>95,817,562</u>	<u>95,445,201</u>
<i>Current liabilities</i>			
Loans and borrowings	24	16,398,773	6,066,141
Current tax liabilities	26	215,246	488,870
Trade and other payables	27	4,851,163	5,699,691
Derivative instruments	20	-	744,109
		<u>21,465,182</u>	<u>12,998,811</u>
Total Equity and Liabilities		<u>561,528,515</u>	<u>536,261,940</u>

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


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The notes on pages 13 to 42 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 2018

	Notes	Share Capital USD	Share Premium USD	Fair Value Reserve USD	Retained Earnings/(Loss) USD	Total USD
Balance at 1 January 2017		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
Adoption of IFRS 9	14	-	-	1,188,000	(12,215,892)	(11,027,892)
Restated balance at 1 January 2018		391,869,690	10	12,041,068	12,879,268	416,790,036
Total comprehensive income for the year						
Other comprehensive income		-	-	(9,396,784)	-	(9,396,784)
Profit for the year		-	-	-	34,852,519	34,852,519
Transaction with owners, recognised directly in equity						
Issue of shares		2,000,000	-	-	-	2,000,000
Balance at 31 December 2018		393,869,690	10	2,644,284	47,731,787	444,245,771

The notes on pages 13 to 42 form an integral part of these financial statements.

The Emerging Africa Infrastructure Fund Limited

Statement of cash flows

For the year ended 31 December 2018

	Notes	31-Dec-18 USD	31-Dec-17 USD
Cash flows from operating activities			
Profit for the year		34,852,519	8,483,765
<i>Adjustments for non cash items:</i>			
Net interest income		(38,009,458)	(36,232,050)
Amortisation of deferred income		(1,729,015)	(2,514,035)
Interest income on bank fixed deposits		(269,108)	(178,696)
Amortisation of deferred expenses		3,184,813	1,053,269
Grant income		(6,523,362)	(2,340,053)
Reversal of provision for impairment of debt instruments at amortised cost		(44,236,328)	(494,540)
Provision for impairment of debt instruments at amortised cost		15,664,388	15,827,852
Unrealised foreign exchange loss/(gain) on debt instruments at amortised cost	10	1,483,692	(764,985)
Unrealised foreign exchange (gain)/loss on derivative instruments	10	(1,087,459)	1,185,104
Income tax expense		801,858	728,725
		<u>(35,867,460)</u>	<u>(15,245,644)</u>
<i>Changes in:</i>			
Debt instruments at amortised cost		(24,702,813)	43,559,625
Debt instruments at FVOCI		-	(30,000,000)
Equity instruments at FVOCI		654,798	-
Deferred income		3,294,060	2,621,058
Trade and other receivables		11,816	(35,709)
Trade and other payables		<u>(845,353)</u>	<u>827,369</u>
		<u>(57,454,952)</u>	<u>1,726,699</u>
Grants received	25	7,160,897	2,545,820
Interest income received on debt instruments		28,780,381	26,281,184
Interest expense paid		(1,784,784)	(1,964,091)
Income tax paid		<u>(1,075,482)</u>	<u>(392,255)</u>
Net change in cash from operating activities		<u>(24,373,940)</u>	<u>28,197,357</u>
Cash flows from investing activities			
Interest received on debt instruments at FVOCI		10,756,820	6,361,124
Net change in cash from investing activities		<u>10,756,820</u>	<u>6,361,124</u>
Cash flows from financing activities			
Issue of ordinary shares		2,000,000	-
Payment of loan fees	18	(7,733,611)	(1,109,434)
Proceeds from borrowings		33,558,801	52,228,292
Repayment of borrowings		<u>(21,571,865)</u>	<u>(85,108,645)</u>
Net change in cash from financing activities		<u>6,253,325</u>	<u>(33,989,787)</u>
Net change in cash and cash equivalents		<u>(7,363,795)</u>	<u>568,694</u>
Cash and cash equivalents at beginning of year		18,162,646	17,593,952
Cash and cash equivalents at end of year		<u>10,798,851</u>	<u>18,162,646</u>

The notes on pages 13 to 42 form an integral part of these financial statements.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

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 debt or mezzanine finance on commercial terms to finance the construction and development of private infrastructure in countries across 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 2017, with the exception of IFRS 9. Refer to page 14 for further information about the assumptions applied in respect of IFRS 9. Further information about the assumptions made in measuring fair values are disclosed in note 30.

(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:

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

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 debt instruments at amortised cost 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 2018 is set out below:

(i) Impairment of financial instruments

At each reporting date, the Company calculates an expected credit loss ("ECL") for debt instruments measured at amortised cost and at fair value through OCI.

The ECL model is forward looking. The loss allowances are either calculated on a 12-month ECL basis or lifetime ECL basis.

Where financial assets show a significant increase in credit risk, the loss allowance is based on the lifetime ECL. The Company considers liquidity, the environmental, social and governance of the borrower, industry within which the borrower operates and the construction phase of the borrower when determining whether there has been a significant increase in credit risk since initial recognition.

IFRS 9 allows for the ECL of a financial asset to be measured using the lifetime basis in one period and the 12 month basis in the next. Refer to page 21 for more detail around the ECL model.

Financial assets measured at amortised cost

ECLs are calculated at each reporting date and reflected in an allowance account. The allowance account is netted off against the carrying amount of the asset. The movement in ECL between reporting dates is recognised in profit or loss. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

Financial assets measured at fair value through OCI

ECLs are calculated at each reporting date and reflected as a loss allowance. The loss allowance is recognised in OCI and not netted off against the carrying amount of the asset. The carrying amount of these assets is their fair value which would already include impairment considerations.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

3 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 fund manager's Credit Committee which includes members of PIDG Ltd. 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 30.

4 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 financial assets at FVOCI (equity instruments) are recognised in other comprehensive income ("OCI").

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 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 debt instruments at amortised cost while interest expense arises from interest on borrowing provided by lenders.

(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.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 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*

IFRS 9 replaces the provisions of IAS 39 'Financial instruments: Recognition and measurement' that relate to the recognition, classification and measurement of financial instruments and impairment of financial assets. The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out below.

IFRS 9 has required the Company to consider the business model for managing and monitoring performance of the financial instruments. Only the assets where the entity intends to collect amounts which are solely payments of principal and interest ("SPPI") can be measured at amortised cost. Equity instruments will be recognised at fair value through profit and loss except for instruments irrevocably designated at fair value through other

(i) Recognition and derecognition

Financial instruments are recognised when, and only when, the Company becomes a party to the contractual provisions of the particular instrument.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(i) Recognition and derecognition (continued)

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.

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.

On derecognition of a financial asset,¹ 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.

A financial liability is de-recognised when, and only when, the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial liability (or part thereof) extinguished or transferred to another party and consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

(iii) Classification and subsequent measurement under IFRS 9

Financial assets

The classification of financial assets under IFRS 9 is based on whether the financial assets are equity instruments, debt instruments or derivative assets. Derivative assets are mandatorily categorised as financial assets at fair value through profit or loss ("FVTPL"). The Company has elected to designate its current equity

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(iii) Classification and subsequent measurement under IFRS 9 (continued)

IFRS 9 replaces the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

A financial asset is classified as a financial asset at amortised cost if it meets both of the following conditions (and is not designated as at FVTPL):

- i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss are initially recognised at fair value excluding transaction costs directly attributable to their acquisition which are recognised immediately in profit or loss. After initial recognition financial assets at fair value through profit or loss are measured at fair value with resulting fair value gains or losses being recognised directly in profit or loss.

Financial assets at amortised cost

(a) Debt instruments

Debt instruments are initially recognised at fair value. Subsequent to initial measurement, debt instruments including those made to fellow group undertakings, are measured at amortised cost using the effective interest method less any impairment losses. Interest received is recognised as part of investment income. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. All debt instruments are recognised when cash is advanced or expected from borrowers.

(b) Cash and cash equivalents

Cash and cash equivalents comprises balances with banks which generally have a maturity of less than 90 days from date of acquisition. Cash and cash equivalents are carried at amortised cost which approximates fair value.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(iii) Classification and subsequent measurement under IFRS 9 (continued)

Financial liabilities

IFRS 9 largely retained the requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

For a quantitative representation of the classifications under IFRS 9, refer to the table on page 23.

(iv) Classification and measurement under IAS 39

Held-to-maturity 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 and 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.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

Impairment of financial assets

Policy applicable after 1 January 2018

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model and results in credit losses being recognised earlier than under IAS 39. The new impairment model applies to financial assets measured at amortised cost (for example loans and advances, trade and other receivables and cash and cash equivalents), but not to investments in equity instruments. As a consequence of the new standard, the Company has revised its impairment methodology under IFRS 9 for each of these classes of assets.

Impairment under IFRS 9 will apply to cash and cash equivalents being measured at amortised cost. These are short term (that is not longer than 12 months) and held with a reputable bank institution. Accordingly, there is no ECL on such asset.

The ECL impairment loss allowance is an unbiased, probability-weighted amount determined by evaluating a range of possible outcomes that reflects reasonable and supportable information that is available without undue cost or effort of past events, current conditions and forecasts of forward-looking economic conditions. The ECL model is dependent on the availability of relevant and accurate data to determine whether a significant increase in credit risk occurred since initial recognition, the probability of default ("PD"), the loss given default ("LGD") and the possible exposure at default ("EAD"). Of equal importance is sound correlation between these parameters and forward-looking economic conditions.

ECL reflects the Company's own expectations of credit losses. However, when considering all reasonable and supportable information that is available without undue cost or effort in estimating ECL, the Company also considers observable market information about the credit risk of the particular financial instrument or similar financial instruments.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for financial assets which the credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(iii) Classification and subsequent measurement under IFRS 9 (continued)

Impairment of financial assets (continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The ECL loss amount depends on the specific stage where the financial instrument has been allocated to within the ECL model:

Stage 1: At initial recognition a financial instrument is allocated into stage 1, except for purchased or originated credit impaired financial instruments.

Stage 2: A financial instrument is allocated to stage 2 if there has been a significant increase in credit risk since initial recognition of the financial instrument.

Stage 3: A financial instrument is allocated to stage 3 if the financial instrument is in default or is considered to be credit impaired.

Under IFRS 9, impairment loss allowances are measured on either of the following bases:

i) 12-month ECLs: These are ECLs that result from possible default events within the 12 months after the reporting date; and

ii) Lifetime ECLs: These are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company considers a financial asset to have deteriorated when there is failure to meet interest and capital repayments, financial covenant breaches and concern with the respect to the environmental, social and governance of the borrower, industry within which the borrower operates and the construction phase of the borrower.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Policy applicable before 1 January 2018

Financial assets 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.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(iii) Classification and subsequent measurement under IFRS 9 (continued)

Impairment of financial assets (continued)

Policy applicable before 1 January 2018 (continued)

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.

Categories of financial instruments

The analysis of financial assets and financial liabilities into their categories is set out in the following table:

At 31 December 2018	Fair value	Mandatorily		Non financial	
USD '000	through other	at fair value	Amortised	assets and	Total
	comprehensive	through	cost	liabilities	
	income	profit or loss			
Assets per the statement of financial position					
Debt instruments	81,184	-	444,359	-	525,544
Equity instruments	10,065	-	-	-	10,065
Derivative instruments	-	343	-	-	343
Deferred expenses	-	-	-	7,229	7,229
Prepayments	-	-	-	42	42
Trade and other receivables	-	-	7,507	-	7,507
Cash and cash equivalents	-	-	10,799	-	10,799
Total assets	91,249	343	462,666	7,271	561,529
Liabilities per the statement of financial position					
Loans and borrowings	-	-	100,180	-	100,180
Deferred income	-	-	-	12,036	12,036
Current tax liabilities	-	-	-	215	215
Trade and other liabilities	-	-	4,851	-	4,851
Total liabilities	-	-	105,031	12,251	117,283

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(iii) Classification and subsequent measurement under IFRS 9 (continued)

Categories of financial instruments (continued)

At 31 December 2017	Held to maturity	Available for sale	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Non financial assets and liabilities	Total
Assets per the statement of financial position							
Debt instruments	7,884	86,260	-	398,590	-	-	492,734
Equity instruments	-	14,620	-	-	-	-	14,620
Deferred expenses	-	-	-	-	-	2,681	2,681
Prepayments	-	-	-	-	-	53	53
Trade and other receivables	-	-	-	8,012	-	-	8,012
Cash and cash equivalents	-	-	-	18,163	-	-	18,163
Total assets	7,884	100,879	-	424,765	-	2,734	536,262
Liabilities per the statement of financial position							
Loans and borrowings	-	-	-	-	91,678	-	91,678
Deferred income	-	-	-	-	-	9,834	9,834
Current tax liabilities	-	-	-	-	-	489	489
Trade and other liabilities	-	-	-	-	5,700	-	5,700
Derivative instruments	-	-	744	-	-	-	744
Total liabilities	-	-	744	-	97,377	10,322	108,444

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

4 Accounting policies (continued)

(i) Share capital

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.

5 New and amended standards adopted by the Company

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 'Financial Instruments' from 1 January 2018, with the impact of the cumulative adjustment reflected as an adjustment to opening retained income.

IFRS 9 sets out requirements for recognising and measuring financial assets and financial liabilities. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

(a) Transition to IFRS 9

Prior year financial statements have not been restated. This is in compliance with the transitional provisions. The adjustments arising from the new impairment rules of IFRS 9 are therefore not reflected in the Statement of changes in equity as at 31 December 2017, but are recognised in the opening balance at 1 January 2018. The application of the new classification principles did not result in any significant change in classification of financial instruments. The Company revised the disclosure of financial instruments in accordance with IFRS 7 as amended by IFRS 9.

(b) Classification and measurement

As at 31 December 2017, the proportion of financial assets measured in terms of the current standard (IAS 39 Financial Instruments) was 61% at fair value and 39% at amortised cost. 100% of financial liabilities were measured at amortised cost.

IFRS 9 has required the Company to consider the business model for managing and monitoring performance of the financial instruments. Only the assets where the entity intends to collect amounts of SPPI can be measured at amortised cost. Equity instruments will be recognised at fair value through profit and loss except for instruments irrevocably designated at fair value through other comprehensive income.

All derivative instruments that are either financial assets or financial liabilities will continue to be recognised as FVTPL.

There have been no material changes in the requirements for the classification and measurement of financial liabilities.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

5 New and amended standards adopted by the Company (continued)

(b) Classification and measurement (continued)

IFRS 9 allows an upfront, irrevocable designation of financial assets and financial liabilities to be designated at fair value through profit and loss when it eliminates or significantly reduces an accounting mismatch. Changes in the value attributable to an entity's own credit in respect of financial liabilities designated at fair value will in future be required to be recognised in profit and loss.

6 New standards and interpretations not yet adopted

No new standards and or amendments not yet effective have been identified by the Company as being material.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

7 Interest income from debt instruments

	31-Dec-18 USD	31-Dec-17 USD
Interest income earned in the current year	32,041,909	28,675,074
	<u>32,041,909</u>	<u>28,675,074</u>

8 Interest income on deposits

	31-Dec-18 USD	31-Dec-17 USD
Interest on bank balance and deposits	269,108	110,790
Amortisation of fair value gain	629,011	156,367
Amortisation of investment cost (Note 15)	(629,011)	(88,461)
	<u>269,108</u>	<u>178,696</u>

9 Loan fee income

	31-Dec-18 USD	31-Dec-17 USD
Loan arrangement fees	568,781	251,125
Loan amendment and restructuring fees	-	44,603
Annual monitoring fees	260,112	214,801
Consent and waiver fees	284,669	23,583
Loan breakage fees	-	6,433
Appraisal fees	9,980	80,345
	<u>1,123,542</u>	<u>620,890</u>

10 Foreign exchange gain/(loss)

	31-Dec-18 USD	31-Dec-17 USD
Unrealised (loss)/gain on net loans	(1,483,692)	764,985
Unrealised gain on cash balances	338,984	246,887
Realised (loss) on monetary transactions	-	(166,700)
Realised gain/(loss) on forward contracts	2,075,960	(778,952)
Unrealised gain/(loss) on forward contracts	1,087,459	(1,185,104)
	<u>2,018,712</u>	<u>(1,118,884)</u>

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/(loss) on the Euro-denominated equity position itself is included in the fair value reserve - debt instruments at FVOCI line item in the Statement of profit or loss and other comprehensive income.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

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% (2017: 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-18 USD	31-Dec-17 USD
Total income tax expense for the year	801,858	728,725
<i>Calculation of the income tax expense</i>		
Profit for the year before tax	35,654,377	9,212,490
Less: Exempt income	(45,160,234)	(749,524)
Add: Non deductible expenses	36,234,464	15,827,852
	26,728,607	24,290,818
Tax at 15%	4,009,291	3,643,623
Tax credit at 80%	(3,207,433)	(2,914,898)
Tax expense for the year	801,858	728,725

12 Fund manager expenses

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. 80% of the aforementioned 40% is contingent upon the achievement of financial and development targets and the remaining portion is at the discretion of the Board.

Breakdown of fund manager expenses:

	31-Dec-18 USD	31-Dec-17 USD
Management fee	8,334,177	8,285,896
Performance fee	2,383,575	3,066,656
	10,717,752	11,352,552

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

13 Provision for impairment of debt instruments

	31-Dec-18	31-Dec-17
	USD	USD
(i) <i>Debt instruments at amortised cost</i>		
Opening balance	52,384,843	50,915,328
Adoption of IFRS 9 - opening balance adjustment	12,215,892	-
Adoption of IFRS 9 - reclassification adjustment	23,916,954	-
Provision for impairment of debt instruments at amortised cost	13,249,697	1,964,055
Provision for impairment of debt instruments at amortised cost - ECL	2,196,939	-
Reversal of provision for impairment of debt instruments at amortised cost	(41,237,883)	(494,540)
Closing balance	62,726,442	52,384,843
(ii) <i>Debt instruments at FVOCI and interest</i>		
Opening balance	3,282,926	274,602
Provision for impairment of accrued interest	9,852	3,008,324
Provision for impairment of debt instruments at FVOCI - ECL	207,900	-
Reversal of impairment of accrued interest	(2,998,445)	-
Closing balance	502,233	3,282,926
(iii) <i>Held-to-maturity financial assets</i>		
Opening balance	23,916,954	13,061,481
Adoption of IFRS 9 reclassification adjustment	(23,916,954)	-
Provision for impairment of held-to-maturity financial assets	-	10,855,473
Closing balance	-	23,916,954

14 IFRS 9 transition impact assessment

		Measurement			
At 1 January 2018	IAS 39 classification	IFRS 9 classification	Carrying value IAS 39	Adjusted carrying value	Difference
Financial assets					
Debt instruments	Loans and advances	Amortised cost	321,224,131	310,196,239	(11,027,892)
Debt instruments	Held-to-maturity	Amortised cost	7,883,858	7,883,858	-
Debt instruments	Available-for-sale	FVOCI	86,259,501	86,259,501	-
Equity investments	Available-for-sale	FVOCI	14,619,622	14,619,622	-
Trade and other receivables	Loans and receivables	Amortised cost	8,012,128	8,012,128	-
Cash and cash equivalents	Loans and receivables	Amortised cost	18,162,646	18,162,646	-
Financial liabilities					
Loans and borrowings	Amortised cost	Amortised cost	91,677,764	91,677,764	-
Trade and other liabilities	Amortised cost	Amortised cost	5,699,691	5,699,691	-
Equity					
Fair value reserve			10,853,068	12,041,068	1,188,000
Total Retained Earnings impact					(12,215,892)

Notes to the financial statements

For the year ended 31 December 2018

15 Debt instruments

	31-Dec-18 USD	31-Dec-17 USD
<i>Debt instruments at amortised cost / loans and advances</i>		
Opening balance	451,655,864	482,791,002
Adoption of IFRS 9 - reclassification adjustment	7,883,858	-
Disbursements	119,211,675	91,975,429
Repayments	(63,337,062)	(135,535,054)
Interest capitalised	3,842,336	1,906,032
Gain on revaluation of Euro-denominated debt instruments at amortised cost	(4,968,214)	10,518,455
Disposal during the year	(7,883,858)	-
Closing balance	506,404,599	451,655,864
Provision for impairment - non-performing portfolio	(48,313,611)	(52,384,843)
Provision for impairment - ECL	(13,224,831)	-
Interest suspended	(506,699)	(680,676)
	(62,045,141)	(53,065,519)
Net debt instruments at amortised cost	444,359,458	398,590,345
<i>Debt instruments at FVOCI / Available-for-sale financial assets</i>		
Opening balance	86,259,501	50,844,000
Acquisitions during the year	-	40,000,000
Disposals during the year	-	(10,000,000)
Unrealised fair value loss	(5,075,400)	5,415,501
Closing balance	81,184,101	86,259,501
Included in the fair value loss is an ECL of USD 207 900 for the year.		
<i>Held-to-maturity financial assets</i>		
Opening balance	Holding	
Interest capitalised	31,912,500	7,883,858
Reclassification adjustment on adoption of IFRS 9	(31,912,500)	(7,883,858)
Amortisation of cost	-	-
Provision for impairment	-	(88,461)
Closing balance	-	(10,855,473)
	-	7,883,858
<i>Classification of between non current and current</i>		
Non-current debt instruments at amortised cost	349,721,438	-
Non-current debt instruments at amortised cost - Shari'ah	4,570,291	-
Non-current debt instruments at FVOCI	81,184,101	-
Non-current debt instruments loans and advances	-	318,822,531
Non-current debt instruments loans and advances - Shari'ah	-	2,401,600
Non-current debt instruments available-for-sale	-	86,259,501
Non-current debt instruments held-to-maturity	-	7,883,858
Non-current debt instruments total	435,475,830	415,367,490
Current debt instruments at amortised cost	90,067,729	-
Current debt instruments loans and advances	-	77,366,214
Current debt instruments total	90,067,729	77,366,214
Total debt instruments	525,543,559	492,733,704

(a) Undisbursed loan commitments

As at 31 December 2018, the undisbursed loan commitments were USD 63,741,726 and EUR 84,577,230 (31 December 2017: USD 127,181,071 and EUR 53,335,372).

• (b) Interest suspended

During the year the Company has capitalised the interest due from debt instruments at amortised cost 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.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2018

16 Equity instruments

	31-Dec-18 USD	31-Dec-17 USD
<i>Equity instruments at FVOCI</i>		
At beginning of the year	14,619,622	12,888,735
Acquisition during the year	9,577,599	-
Disposals during the year	(10,232,397)	-
Realised gain	654,799	-
Unrealised fair value (loss)/gain	(4,555,071)	1,730,887
At end of the year	10,064,552	14,619,622

17 Details of investments at FVOCI

Name of company	Country of incorporation	Type of investment held	Holding 31-Dec-18	Carrying value 31-Dec-18 USD	Carrying value 31-Dec-17 USD
<i>Quoted investments</i>					
IHS Netherlands Holdco Bv	Ireland	Bond	50,000,000	50,567,000	53,920,250
Kenmare Resources plc	UK	Ordinary shares	3,007,315	7,081,893	11,266,894
HTA Group Ltd	Ireland	Bond	30,000,000	30,617,101	32,339,251
<i>Unquoted investments</i>					
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 Limited	Mauritius	Share warrant	1,065,341	2,973,534	3,343,603
				91,248,653	100,879,123

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For the year ended 31 December 2018

18 Deferred expenses

	Refinancing Cost USD	Upfront Fees USD	Commitment Fees USD	Total USD
At 1 January 2017	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
Movement during the year	1,553,776	3,914,300	2,265,535	7,733,611
Amortisation charge	(430,249)	(904,929)	(1,849,635)	(3,184,813)
At 31 December 2018	1,482,395	3,967,008	1,779,899	7,229,302

19 Trade and other receivables

	31-Dec-18 USD	31-Dec-17 USD
Interest receivable on loans	5,773,430	6,276,409
Accrued interest on bank deposits	1,032	2,798
Interest accrued on income notes and debt instruments at FVOCI	1,800,462	4,789,056
Other receivables	29,205	29,205
	7,604,129	11,097,468
Provision for impairment - accrued interest and interest on income notes	(96,747)	(3,085,340)
	7,507,382	8,012,128

20 Derivatives

	31-Dec-18 USD	31-Dec-17 USD
Forward foreign exchange contract - at fair value	343,349	(744,109)

The notional amount of the outstanding forward foreign exchange contract as at 31 December 2018 is EUR 40,730,000 (31 December 2017: EUR 29,918,165).

21 Cash and cash equivalents

	31-Dec-18 USD	31-Dec-17 USD
Barclays Bank Mauritius Limited		
- Operating account	8,752,166	1,585,024
- Technical Assistance Facility ("TAF") grant	2,013,035	1,432,511
- Fixed deposit account	-	15,126,952
Standard Chartered Bank (Mauritius) Limited		
- Operating account	33,650	18,159
	10,798,851	18,162,646

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22 Share Capital

	31-Dec-18		31-Dec-17	
	Shares	USD	Shares	USD
<i>Ordinary shares, issued and fully paid</i>				
Opening balance	39,186,969	391,869,690	39,186,969	391,869,690
Issue of shares	200,000	2,000,000	-	-
Closing balance	39,386,969	393,869,690	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-18 USD	31-Dec-17 USD
At beginning of the year	10,853,068	3,863,047
Reclassification adjustment on adoption of IFRS 9	1,188,000	-
Movement during the year	(9,396,784)	6,990,021
At end of the year	2,644,284	10,853,068

24 Loans and borrowings

	31-Dec-18 USD	31-Dec-17 USD
<i>Non-current liabilities</i>		
Kreditanstalt für Wiederaufbau ("KfW")	17,000,000	17,000,000
Kreditanstalt für Wiederaufbau - EUR	66,764,259	68,611,623
Allianz Global Investors ("Allianz")	8,000	-
Allianz Global Investors - EUR	9,145	-
	83,781,404	85,611,623
<i>Current liabilities</i>		
Kreditanstalt für Wiederaufbau - EUR	5,014,142	6,066,141
Standard Chartered Bank ("SC") - EUR	11,384,631	-
	16,398,773	6,066,141

The above borrowings are denominated in the following currencies:

US Dollar	17,008,000	17,000,000
Euro	83,172,177	74,677,764
	100,180,177	91,677,764

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24 Loans and borrowings (continued)

Terms of financial liabilities at amortised cost

Lender	Currency	Maturity date	Total committed	Undisbursed
SC Facility C3	USD/EUR	29 October 2020	50,000,000	38,615,369
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
KfW Facility E1	USD	19 March 2030	50,000,000	50,000,000
African Development Bank Facility F	USD	19 March 2028	75,000,000	75,000,000
FMO Facility G	USD	19 March 2028	50,000,000	50,000,000
Allianz Facility H2	USD	19 March 2030	25,000,000	24,992,000
				<u>306,607,369</u>
KfW Facility B	EUR	29 October 2024	55,000,000	-
KfW Facility D1	EUR	17 June 2028	45,000,000	22,084,990
KfW Facility E2	EUR	19 March 2030	75,000,000	75,000,000
Allianz Facility H1	EUR	19 March 2030	75,000,000	74,992,000
				<u>172,076,990</u>
			<i>Total USD equivalent</i>	<u>503,317,180</u>

25 Deferred income

	TAF Grant ¹ USD	Restructuring Fees USD	Upfront Fees USD	Commitment Fees USD	Total USD
At 1 January 2017	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
Movement during the year	7,160,897	-	1,890,505	1,403,555	10,454,957
Amortisation charge	(6,523,362)	(205,820)	(639,830)	(883,365)	(8,252,377)
At 31 December 2018	1,321,422	584,890	5,384,682	4,745,164	12,036,158

¹The Private Infrastructure Development Group ('PIDG') acting through the PIDG Trust provides TAF grants for development projects approved by PIDG Ltd on behalf of the PIDG. TAF grants are managed through the Company in agreement with the PIDG.

26 Current tax liabilities

	31-Dec-18 USD	31-Dec-17 USD
At beginning of the year	488,870	152,400
Tax paid during the year	(1,075,482)	(392,255)
Income tax expense for the year	801,858	728,725
At end of the year	<u>215,246</u>	<u>488,870</u>

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27 Trade and other payables

	31-Dec-18 USD	31-Dec-17 USD
Management fee	2,135,025	2,197,194
Performance fee	2,383,575	3,066,656
MDY Legal fees	34,731	134,493
Loan interest payable	199,248	202,423
Management company fees	1,400	5,500
Audit and tax fees	12,350	37,690
Other payables	84,834	55,735
	4,851,163	5,699,691

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-18 USD	31-Dec-17 USD
<i>Transactions during the year:</i>				
PIDG Trust	Shareholder	Grant amortised	6,523,362	2,340,053
		Grant received	7,160,897	2,545,820
			601,590	
PIDG Ltd	Subsidiary of PIDG Trust ¹	Grant received - administrative	(712,466)	-
PIDG Ltd	Subsidiary of PIDG Trust ¹	Administrative expense		-
Investec Asset Management Guernsey Limited	Fund Manager	Management fees	8,334,177	8,285,896
Investec Asset Management Guernsey Limited	Fund Manager	Performance fees	2,383,575	3,066,656
<i>Balances outstanding at end of the period:</i>				
PIDG Trust	Shareholder	Grant received	1,321,422	683,887
Investec Asset Management Guernsey Limited	Fund Manager	Management fees	2,135,025	2,197,194
Investec Asset Management Guernsey Limited	Fund Manager	Performance fees	2,383,575	3,066,656
PIDG Ltd	Subsidiary of PIDG Trust ¹	Administrative expense	71,067	-

¹ fellow subsidiary of the Trust, but with delegated authority from the Trust to manage the company

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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 2018				
Debt instruments at FVOCI	81,184,101	81,184,101	-	-
Equity instruments at FVOCI	10,064,552	7,081,893	-	2,982,659
Derivative instruments	343,349	-	343,349	-
	<u>91,592,002</u>	<u>88,265,994</u>	<u>343,349</u>	<u>2,982,659</u>
31 December 2017				
Financial assets at FVOCI (quoted)	97,526,395	97,526,395	-	-
Financial assets at FVOCI (unquoted)	3,352,728	-	-	3,352,728
Financial liabilities at FVTPL	(744,109)	-	(744,109)	-
	<u>100,135,014</u>	<u>97,526,395</u>	<u>(744,109)</u>	<u>3,352,728</u>

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 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 211 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 190 million for SCL, equating to a fair value for the Company's investment in IPS of USD 2,973,534.

Financial instruments not measured at fair value

The carrying amount of the Company's debt instruments at amortised cost, trade and other receivables, bank deposits, cash and cash equivalents, loans and borrowings cost 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.

The Emerging Africa Infrastructure Fund Limited

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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 Company has established a risk management framework and has delegated responsibility for compliance with the risk management framework to PIDG Ltd. PIDG Ltd is responsible for, amongst other matters, ensuring the Company's compliance with its Risk Appetite Statements.

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 40 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 fail to meet their contractual obligations, and arises principally from the Company's debt instruments at amortised cost.

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.

In order to minimise its credit risk, the Company has criteria in place, including its Investment Policy, against which each new borrower is individually assessed and which forms the basis of the terms and conditions of each loan facility.

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-18 USD	31-Dec-17 USD
Debt instruments	525,543,559	492,733,704
Derivative instruments	343,349	-
Trade and other receivables	7,507,382	8,012,128
Cash and cash equivalents	10,798,851	18,162,646
	<u>544,193,141</u>	<u>518,908,478</u>

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30 Financial risk management and review (continued)

Credit risk (continued)

(i) Analysis of credit risk for debt instruments at amortised cost and loan interest receivables by sector and country/region

	<i>Debt instruments at amortised cost</i>		<i>Loan interest receivable</i>	
<i>Sector</i>	31-Dec-18 USD	31-Dec-17 USD	31-Dec-18 USD	31-Dec-17 USD
Agriculture	4,491,050	5,000,000	140,849	110,396
Mining	14,511,076	494,540	6,358	9,295
Telecommunications	3,453,895	7,397,801	112,257	188,358
Industrial infrastructure	71,248,303	100,616,706	975,797	2,052,602
Power	290,989,312	259,149,735	4,150,438	3,684,410
Transport	49,733,322	25,931,563	346,406	231,349
Gas	9,932,500	-	41,325	-
	444,359,458	398,590,345	5,773,430	6,276,409
<i>Country/Region</i>				
Republic of Cameroon	1,530,144	5,084,538	19,150	61,442
Mozambique	45,872,086	494,540	759,628	9,295
Republic of Nigeria	71,914,493	77,071,513	861,964	840,837
Uganda	59,343,134	52,923,966	420,210	610,687
Kenya	22,511,809	30,286,453	202,452	863,114
Democratic Republic of Congo	29,719,804	34,100,000	460,146	428,241
Algeria	-	5,144,390	-	723,797
Pan-Africa	5,407,991	23,485,379	112,257	325,157
Senegal	27,698,271	33,241,746	171,058	203,011
Ethiopia	8,114,123	12,535,715	103,391	86,930
Ghana	33,851,850	25,402,001	407,983	249,729
Ivory Coast	46,119,825	52,605,413	1,140,765	941,320
Republic of Rwanda	31,115,238	28,691,301	733,841	745,446
Madagascar	18,756,200	13,395,849	206,255	144,419
Mali	19,541,490	4,127,540	137,570	42,983
Gabon	22,863,000	-	36,760	-
	444,359,458	398,590,345	5,773,430	6,276,409

(ii) Analysis of credit risk for financial assets at FVOCI and interest receivables by sector and country/region:

	<i>Financial assets at FVOCI</i>		<i>Interest receivable</i>	
<i>Sector</i>	31-Dec-18 USD	31-Dec-17 USD	31-Dec-18 USD	31-Dec-17 USD
Mining	7,081,893	11,266,894	-	-
Power	9,125	9,125	-	-
Telecommunications	84,157,635	89,603,104	1,703,715	1,703,715
Oil & Gas	-	-	-	-
	91,248,653	100,879,123	1,703,715	1,703,715

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30 Financial risk management and review (continued)

Credit risk (continued)

(ii) Analysis of credit risk for financial assets at FVOCI and interest receivables by sector and country/region (continued):

	Financial assets at FVOCI		Interest receivable	
	31-Dec-18 USD	31-Dec-17 USD	31-Dec-18 USD	31-Dec-17 USD
Country/Region				
Mozambique	7,081,895	11,266,894	-	-
Nigeria	50,567,000	53,920,250	844,444	844,444
Pan-Africa	33,599,758	35,691,979	859,271	859,271
	91,248,653	100,879,123	1,703,715	1,703,715

(iii) Analysis of credit risk for debt instruments at amortised cost and interest receivables by sector and country/region:

	Held-to-maturity financial assets		Interest receivable	
	31-Dec-18 USD	31-Dec-17 USD	31-Dec-18 USD	31-Dec-17 USD
Country/Region				
Nigeria	-	7,883,858	-	-
	-	7,883,858	-	-
Sector				
Transport	-	7,883,858	-	-
	-	7,883,858	-	-

The Company does not have any debt securities that were past due but not impaired at 31 December 2018.

(iv) Bank deposits and cash and cash equivalents

The Company held bank deposits and cash and cash equivalents with bank and financial institutions, of which their respective parent companies 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 financial assets at amortised cost under its facility agreements. While the Company is legally entitled to the potential economic benefit provided by the collateral on financial assets at amortised cost, 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 rather than to realise its security. 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 financial assets at amortised cost disclosed in the Statement of Financial Position is therefore a fair reflection of the Company's credit exposure.

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30 Financial risk management and review (continued)

Liquidity risk

Liquidity risk of the Company is monitored by the PIDG Ltd Executive team and the Company's Executive Director.

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 2018 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 2018					
Financial liabilities at amortised cost	2,507,071	13,891,702	15,108,050	68,673,354	100,180,177
Trade and other payables	4,851,163	-	-	-	4,851,163
	7,358,234	13,891,702	15,108,050	68,673,354	105,031,340
31 December 2017					
Financial liabilities at amortised cost	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

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

Market risk is monitored by the PIDG Ltd Executive team and the Company's Executive Director.

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.

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30 Financial risk management and review (continued)

Currency Risk

Currency risk of the Company is monitored by the PIDG Ltd Executive team and the Company's Executive Director.

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 debt instruments at amortised cost 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 2018, 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-18		31-Dec-17	
	USD	USD	USD	USD
United States Dollar	419,706,596	21,957,946	441,128,805	23,804,072
Great Britain Pound Sterling	-	3,828	-	126,432
Euro	134,551,097	83,284,812	92,399,295	74,679,930
	554,257,693	105,246,586	533,528,100	98,610,434

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

	31-Dec-18	31-Dec-17
	USD	USD
USD:EUR	0.87478	0.83278
USD:GBP	0.78518	0.73923

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 2018				
EUR	(5,126,628)	(5,126,628)	5,126,628	5,126,628
GBP	383	383	(383)	(383)

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30 Financial risk management and review (continued)

Currency Risk (continued)

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)

Interest rate risk

Interest rate risk of the Company is monitored by the PIDG Ltd Executive team and the Company's Executive Director.

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-18 USD	31-Dec-17 USD
<i>Variable rate instruments</i>		
Financial assets	346,287,561	342,776,755
Financial liabilities	(47,579,926)	(26,809,074)
	<u>298,707,635</u>	<u>315,967,681</u>

Sensitivity analysis

	Increase by 1%		Decrease by 1%	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
31 December 2018	2,987,076	2,987,076	(2,987,076)	(2,987,076)
31 December 2017	3,159,677	3,159,677	(3,159,677)	(3,159,677)

Price risk

As at 31 December 2018 the Company is exposed to price risk. The Company had financial assets at FVOCI which were measured at market value.

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.