The Emerging Africa Infrastructure Fund Limited

Financial Statements

For the year ended 31 December 2014

The Emerging Africa Infrastructure Fund Limited

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Corporate Data

For the year ended 31 December 2014

Directors

	Position and Committee	Appointment	Position held until
Resident			
K C Li Kwong Wing	Board Director	12 May 2003	3 April 2014
Jean Louis Jerome De Chasteauneuf	Board Director and Member of Audit Committee	8 December 2003	7 February 2015
Marie Philomene Gerard Jean Claude Bega	Board Director and Member of Audit Committee	3 April 2014	Ongoing
Tchang Fa Wong Sun Thiong	Board Director and Member of Audit Committee	2 February 2015	Ongoing
Non Resident			
Saud Ibne Siddique	Board Director and Member of New Business Committee and Credit Committee	1 February 2010	Ongoing
Mohammed Mahmoud Isa-Dutse	Board of Director and Member of the Credit Committee and New Business Committee	9 January 2013	Ongoing
Mary Thandiwe Ncube	Board Director and Chair of Audit Committee	6 February 2013	Ongoing
Thomas Walter Duve	Board Director and Member of Credit Commiittee	18 November 2013	10 November 2014
David Leslie Crawford White	Chairman of Board	1 January 2014	Ongoing
Julia Elizabeth Prescot	Board Director	23 March 2015	Ongoing
Jeremy Patrick Steward Crawford	Board Director	23 March 2015	Ongoing

Alternate directors

Bishwarnath Bachun (for Jean Louis Jerome De Chasteauneuf) (resigned 7 February 2015)
Mary Wendy Kong Shing Cheong (for Jean Louis Jerome De Chasteauneuf) (resigned 7 February 2015)
Hubert Gerald Georges Joseph Leclezio (for Marie Philomene Gerard Jean Claude Bega)

Fund Manager

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

Corporate 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 2014.

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. (2013:NIL)

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 these 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 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 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: 30 MAR 2015

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 year ended 31 December 2014.

....

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

Date: 30 MAR 2015

KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius

Telephone +230 406 9999
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INDEPENDENT AUDITORS' REPORT TO THE MEMBER 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 2014 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period 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 member 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 member those matters that we are required to state 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 member 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.

KPMG

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 2014 and of its financial performance and cash flows for the period 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

KPMG
Ebène, Mauritius

Date: 30 MAR 2015

Ashish Ramyead
Licensed by FRC

The Emerging Africa Infrastructure Fund Limited

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2014

	Notes	Year Ended 31 Dec 2014 USD	Year Ended 31 Dec 2013 USD
Interest income		26,622,898	23,039,913
Interest expense		(1,939,592)	(3,518,201)
Net interest income		24,683,306	19,521,712
Other income			
Interest income on cash deposit		117,837	202,240
Interest on income notes		11,933	9,976
Grant released	20	349,835	155,892
Amortisation of deferral fee	20	375,286	151,466
Amortisation of upfront fees	20	926,182	694,924
Amortisation of commitment fees	20	734,368	604,204
Loan arrangement and structuring fees		777,090	334,289
Loan other fees		910,215	854,844
Appraisal fees		144,000	85,000
Total other income		4,346,746	3,092,835
Amortisation of deferred expenses			
Amortisation of upfront fees	13	(1,559,411)	(776,722)
Amortisation of commitment fees	13	(4,193,720)	(3,021,472)
Amortisation of accordion fees		-	(52,255)
Amortisation of refinancing cost	13	(158,646)	(51,717)
Amortisation of debt facility costs	14	-	(74,089)
		(5,911,777)	(3,976,255)
Other expenses			
Fund manager expenses	23	(5,237,975)	(8,398,328)
Professional fees and expenses		(560,048)	(836,389)
Grant expenditure		(212,004)	(155,892)
Administration expenses		(837,414)	(745,916)
Consultancy fees charged for refinancing		-	(98,687)
Monitoring fees		(28,246)	(28,266)
Loan breakage cost		(482,267)	-
Foreign exchange (loss)/gain	8	(1,427,670)	1,202,941
		(8,785,624)	(9,060,537)
Profit before impairment of financial assets		14,332,651	9,577,755
Impairment of financial assets			
(Provision)/reversal for impairment of loan		(61,879,159)	1,920,718
(Provision) for impairment of other financial assets	12	(412,831)	-
		(62,291,990)	1,920,718
(Loss)/Profit before tax		(47,959,339)	11,498,473
Income tax expense	9	(458,846)	(248,864)
(Loss)/Profit for the year		(48,418,185)	11,249,609
Other comprehensive income			
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets - fair value reserve	11	842,100	(28,334)
Total other comprehensive profit/(loss)		842,100	(28,334)
Total comprehensive (loss)/ income for the year		(47,576,085)	11,221,275

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

The Emerging Africa Infrastructure Fund Limited

Statement of financial position
As at 31 December 2014

	Notes	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Assets			
Non-current assets			
Loans and advances	10	**347,577,829**	338,251,406
Available-for-sale financial assets	11	**31,746,574**	1,270,174
Other financial assets	12	**-**	412,831
Deferred expenses	13	**3,564,114**	3,976,430
Debt facility costs	14	**-**	-
		382,888,517	343,910,841
Current assets			
Loans and advances	10	**36,827,897**	27,003,497
Derivative financial instrument	17	**340,604**	-
Trade and other receivables	15	**7,787,662**	4,580,040
Prepayments		**42,829**	30,809
Cash and cash equivalents	16	**39,622,197**	83,114,134
		84,621,189	114,728,480
Total Assets		**467,509,706**	458,639,321
Equity and Liabilities			
Equity			
Share capital	18	**388,069,690**	357,245,590
Share premium		**10**	10
Fair value reserve	11	**224,361**	(617,739)
Retained (loss)/earnings		**(28,903,896)**	19,514,289
Total equity		**359,390,165**	376,142,150
Liabilities			
Non-current liabilities			
Loans and borrowings	19	**96,470,016**	61,312,291
Deferred income	20	**8,815,835**	7,141,858
		105,285,851	68,454,149
Current liabilities			
Loans and borrowings	19	**-**	9,498,111
Current tax liabilities	21	**272,200**	44,010
Derivative financial instrument	17	**-**	121,259
Trade and other payables	22	**2,561,490**	4,379,642
		2,833,690	14,043,022
Total equity and liabilities		**467,509,706**	458,639,321

These financial statements were approved and signed on : 30 MAR 2015

.... Director

.... Director

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

Statement of changes in equity
For the year ended 31 December 2014

	Share Capital USD	Share Premium USD	Fair value Reserve USD	Retained Earnings USD	Total USD
Balance at 1 January 2013	194,798,600	-	(589,405)	8,264,680	202,473,875
Total comprehensive income					
Other comprehensive loss	-	-	(28,334)	-	(28,334)
Profit for the year	-	-	-	11,249,609	11,249,609
Total comprehensive (loss)/ income	-	-	(28,334)	11,249,609	11,221,275
Transaction with owner of the Company					
Contribution by owners of the Company					
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
Total comprehensive income					
Other comprehensive income	-	-	842,100	-	842,100
Loss for the year	-	-	-	(48,418,185)	(48,418,185)
Total comprehensive income	-	-	842,100	(48,418,185)	(47,576,085)
Transaction with owner of the Company					
Contribution by owners of the Company					
Issue of shares	30,824,100	-	-	-	30,824,100
Total contribution	30,824,100	-	-	-	30,824,100
Balance at 31 December 2014	388,069,690	10	224,361	(28,903,896)	359,390,165

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

The Emerging Africa Infrastructure Fund Limited

Statement of cash flows
For the year ended 31 December 2014

	Year ended 31 Dec 2014 USD	Year Ended 31 Dec 2013 USD
Cash flow from operating activities		
(Loss)/Profit for the year	**(48,418,185)**	11,249,609
Adjustments for:		
Amortisation of loan fees income	**(2,035,836)**	(1,450,594)
Interest income on cash deposit	**(117,837)**	(202,240)
Amortisation of loan fees expense	**5,911,777**	3,976,255
Net interest income	**(24,683,306)**	(19,521,712)
Grant released	**(349,835)**	(155,892)
Provision/(reversal) impairment of financial asset	**62,291,990**	(1,920,718)
Unrealised foreign exchange (gain)/ loss	**5,141,642**	(1,138,756)
Foreign exchange (gain) / loss on forward contract	**(461,863)**	121,054
Income tax expense	**458,846**	248,864
	(2,262,607)	(8,794,130)
Changes in:		
Disbursement of loans and advances	**(134,341,222)**	(59,073,237)
Repayment of loans and advances	**49,670,634**	32,386,595
Deferred income	**3,740,815**	1,979,301
Trade and other receivables	**(3,350,053)**	383,034
Trade and other payables	**(1,818,152)**	3,480,101
	(88,360,585)	(29,638,336)
Interest income	**18,685,519**	16,195,707
Interest expense	**(1,939,592)**	(3,518,201)
Income tax paid	**(230,656)**	(418,003)
Net cash used in operating activities	**(71,845,314)**	(17,378,833)
Cash flows from investing activities		
Acquisition of grant	**318,833**	-
Interest received on cash deposit	**248,249**	62,874
Purchase of investments	**(29,634,300)**	-
Net cash (used in)/from investing activities	**(29,067,218)**	62,874
Cash flows from financing activities		
Issue of ordinary shares	**30,824,100**	162,447,000
Loan commitment, upfront fees and refinancing costs	**(5,499,461)**	(1,573,437)
Proceeds from borrowings	**165,770,074**	51,910,378
Repayment of borrowings	**(133,674,118)**	(133,388,663)
Net cash from financing activities	57,420,595	79,395,278
Net (decrease)/increase in cash and cash equivalents	(43,491,937)	62,079,319
Cash and cash equivalents at 1 January	83,114,134	21,034,815
Cash and cash equivalents at 31 December	39,622,197	83,114,134

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

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 US Dollar and EURO 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.

3 Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional currency. All amounts have been rounded to the nearest US dollar, unless otherwise indicated.

4 Use of judgements and estimates

In preparing these financial statements, management has made judgements, assumptions and estimates that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

(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.

Determination of the functional currency
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 US dollar and accordingly, management has determined that the fuctional 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 2014 is set out below.

4 **Use of judgements and estimates (Continued)**

(b) *Assumptions and estimation uncertainties (Continued)*

(i) *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 the 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 estimates of cash flows considered recoverable are independently approved by the Credit Committee.

(ii) *Measurement of fair values*

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial assets and liabilities.

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 as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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.

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 :	
- Unquoted investmemts (other than unsecured income notes)	Fair value
- Quoted investments	Fair value
Loans and advances	Amortised cost
Loans and borrowings	Amortised cost
Derivative financial instruments	Fair value

6 Significant accounting policies

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

(a) *Foreign currency transactions*

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

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

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

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

(b) *Interest income and expense*

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 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 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 commitment are capitalised and amortised over the life of the underlying loan on an effective yield basis.

(d) *Other loan fees*

Waiver fees, participating fees, prepayments fees, loan arrangement,structuring fees, loan adminstration fees, appraisal fees and other loan fees are recognised in the profit or loss on the date on which the Company has a contractual rights to receive the fees.

(e) *Debt facility costs, accordian and refinancing cost*

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.

6 **Significant accounting policies (Continued)**

(f) *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 comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

(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 other comprehensive income.

(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.

(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.

6 **Significant accounting policies (Continued)**

(h) *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 provision 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 loans commitments and derivative financial instruments, as other financial liabilities which are measured at amortised cost.

(iii) *Derecognition*

Financial Asset
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 other comprehensive income 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.

6 **Significant accounting policies (Continued)**

(h) *Financial assets and 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*

'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.

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.

6 **Significant accounting policies (Continued)**

(h) *Financial assets and financial liabilities (Continued)*

(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; and
- 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.

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 historic 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 asset 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 other comprehensive income. Any subsequent recovery in the fair value of an impaired available for sale equity security is always recognised in other comprehensive income.

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.

6 Significant accounting policies (Continued)

(i) *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. Cash and cash equivalents are classified as loans and receivables.

(j) *Derivative financial instruments*

Derivative financial instruments consist of foreign exchange contracts (forward contracts) which are held for risk management purposes and that do not qualify for hedge accounting. These are measured at fair value in the statement of financial position and any change in the fair value is immediately recognised in profit or loss.

(k) *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.

Loan 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.

(l) *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 benefit 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 costs.

(m) *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.

6 Significant accounting policies (Continued)

(n) *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.

7 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company do not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Effective for the financial year commencing 1 January 2016

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Disclosure Initiative (Amendments to IAS 1)

Effective for the financial year commencing 1 January 2017

- IFRS 15 Revenue from Contracts with Customers

Effective for the financial year commencing 1 January 2018

- IFRS 9 Financial Instruments

All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

***Disclosure Initiative* (Amendments to IAS 1)**
The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

IFRS 9 Financial Instruments

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

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

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

8 Foreign exchange (loss)/ gain

	Year Ended 31 Dec 2014 USD	Year Ended 31 Dec 2013 USD
Unrealised (loss)/gain on net loans	(5,141,642)	1,080,062
Unrealised (loss)/gain on cash balances	(242,087)	109,771
Gain on monetary transactions	218,190	137,845
Gain/(Loss) on forward contracts	3,737,869	(124,737)
Foreign exchange (loss)/ gain	(1,427,670)	1,202,941

9 Income tax expense

The Company is subject to income tax in Mauritius at 15% (2013: 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.

	Year Ended 31 Dec 2014 USD	Year Ended 31 Dec 2013 USD
Total income tax expense for the year	458,846	248,864

Reconciliation of effective tax rate

(Loss)/Profit from operations	(47,959,339)	11,498,473
Income tax at 15%	(7,193,901)	1,724,771
Add:		
Less:Exempt income	(17,676)	(30,336)
Less: Non deductible income	-	(450,117)
Add: Non deductible expense	9,505,808	-
Tax credit	(1,835,385)	(995,454)
Total income tax expense for the year	458,846	248,864

The information has been redacted because of its commercially sensitive nature

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13 Deferred expenses

	Accordian fees USD	Refinancing cost USD	Upfront Fees USD	Commitment Fees USD	Total USD
At 1 January 2013	52,255	51,717	2,257,573	3,943,614	6,305,159
Movement during the year	-	-	-	1,573,437	1,573,437
Amortisation charge	(52,255)	(51,717)	(776,722)	(3,021,472)	(3,902,166)
At 31 December 2013	-	-	1,480,851	2,495,579	3,976,430
Movement during the year	-	1,528,599	2,293,797	1,677,065	5,499,461
Amortisation charge	-	(158,646)	(1,559,411)	(4,193,720)	(5,911,777)
At 31 December 2014	-	1,369,953	2,215,237	(21,076)	3,564,114

14 Debt facility costs

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Cost	-	1,151,343
Amortisation		
At start	-	1,077,254
Charge for the year	-	74,089
At year end	-	1,151,343
Carrying Amount		
At year end	-	-

15 Trade and other receivables

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Loan interest receivable	5,012,875	4,360,384
FMFML performance fees	2,584,049	-
Bank accrued interest	43,946	174,358
Interest accrued on income notes	57,231	45,298
Other receivables	89,561	-
	7,787,662	4,580,040

16 Cash and cash equivalent

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Barclays Bank Plc		
Operating account	2,326,203	11,153,415
Fixed deposit account	36,000,000	71,134,063
TAF Grant	931,544	826,656
Standard Chartered Bank		
Trading account - Seven Energy International Limited	364,450	-
	39,622,197	83,114,134

17 Derivative financial instrument

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Forward foreign exchange contracts - At fair value	340,604	(121,259)
Forward foreign exchange contracts assets /(liabilities)	340,604	(121,259)

The notional principal amount of the outstanding forward foreign exchange contract as at 31 Dec 2014 is EUR 11,014,206 (2013 - Euro 35,350,162).

18 Share capital

	Year Ended 31 Dec 2014		Year Ended 31 Dec 2013	
	Number of Shares	USD	Number of Shares	USD
Issued and fully paid				
Ordinary shares				
At start	35,724,559	357,245,590	19,479,860	194,798,600
Issue of shares	3,082,410	30,824,100	16,244,699	162,446,990
At year end	38,806,969	388,069,690	35,724,559	357,245,590

Holders of ordinary shares are entitled 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

	As at 31 Dec 2014	As at 31 Dec 2013
	USD	USD
Non-Current Liabilities		
Senior Loans		
International Finance Corporation	-	28,214,590
African Development Bank	-	22,962,222
Kreditanstalt Für Wiederaufbau	66,901,837	-
Oesterreichische Entwicklungsbank AG	-	10,135,479
Standard Bank of South Africa	20,000,000	-
Standard Chartered Bank	9,568,179	-
Total non-current liabilities	96,470,016	61,312,291
Current Liabilities		
Senior Loans		
International Finance Corporation	-	3,984,402
African Development Bank	-	3,825,251
Oesterreichische Entwicklungsbank AG	-	1,688,458
Total current liabilities	-	9,498,111

Interest bearing borrowings are denominated in the following currencies:

	As at 31 Dec 2014	As at 31 Dec 2013
	USD	USD
US Dollar	20,000,000	28,935,982
Euro 62,866,000 (2013: EUR 30,357,698)	76,470,016	41,874,420
	96,470,016	70,810,402

As at 31 December 2014, the undrawn loan available amounted to USD 90,431,798 and EUR 25,000,000 detailed as follows:

Kreditanstalt Für Wiederaufbau	USD	45,000,000
Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V	USD	25,000,000
Standard Chartered Bank	USD	15,431,798
Standard Bank of South Africa Limited	USD	5,000,000
Nederlandse Financierings - Maatschappij voor Ontwikkelingslanden N.V	EUR	25,000,000

20 Deferred income

	Upfront Fees	Commitment Fees	Deferral Fees	TAF Grant[1]	Total
	USD	USD	USD	USD	USD
At 1 January 2013	3,731,666	2,184,199	473,003	379,830	6,768,698
Movement during the year	300,000	1,186,649	492,652	-	1,979,301
Foreign Exchange	-	345	-	-	345
Amortisation charge	(694,924)	(604,204)	(151,466)	(155,892)	(1,606,486)
At 31 December 2013	3,336,742	2,766,989	814,189	223,938	7,141,858
Movement during the year	**1,479,911**	**1,165,597**	**1,095,307**	**318,833**	**4,059,648**
Amortisation charge	**(926,182)**	**(734,368)**	**(375,286)**	**(349,835)**	**(2,385,671)**
At 31 December 2014	**3,890,471**	**3,198,218**	**1,534,210**	**192,936**	**8,815,835**

[1]The Private Infrastructure Development Group ('PIDG') acting through the PIDG Trust provides Technical Assistance Facility ('TAF') for development projects approved by the Programme Management Unit of the PIDG.

21 Current tax liabilities

	As at 31 Dec 2014	As at 31 Dec 2013
	USD	USD
At start	**44,010**	213,149
Tax paid during the year	**(230,656)**	(418,003)
Movement during the year	**458,846**	248,864
At year end	**272,200**	44,010

22 Trade and other payables

	As at 31 Dec 2014	As at 31 Dec 2013
	USD	USD
Frontier Markets Fund Managers Limited:		
Fixed fee	**1,415,170**	1,150,861
Performance fees	-	2,474,192
Travel and other expenses	-	878
MDY legal fees	**24,038**	317,645
Loan interest payable	**247,754**	236,097
Administration fees payable to Standard Bank Trust Company (Mauritius) Limited	**19,813**	5,639
Consultancy fees	**503,675**	97,381
Directors fees	-	17,104
Refund excess interest and other fees	**301,104**	37,871
Account bank accrual	**11,667**	11,667
Environmental, Social and Advisory fees accrued	-	4,944
Audit and tax fees	**33,827**	25,363
Other payables	**4,442**	-
	2,561,490	4,379,642

23 Fund manager expenses

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.

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

(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.

(ii) 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.

Breakdown of fund management expenses

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Fixed Fee	4,976,413	4,239,153
Performance fee under accrued (prior years)	261,562	-
Performance fee	-	4,159,175
	5,237,975	8,398,328

24 Fees

(a) *Facility agency fees*

As from 29 October 2014, the Senior facility agents are paid an annual fee of USD 33,000 in advance. The fees were previously USD 40,000 in advance.

(b) *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.

(c) *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.

(d) *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 service 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.

25 Fund capital structure

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Equity		
Provided by the Private Infrastructure Development Group ("PIDG") [1] through the PIDG Trust. The trustees of the PIDG Trust are MC Trust Limited, Minimax Limited and SG Hambros Trust Company Limited. Each trustee holds shares in the Company jointly as trustees of the PIDG Trust.	388,069,690	357,245,600
Senior Debt [3]		
International Finance Corporation	-	81,250,000
African Development Bank	-	88,750,000
Oesterreichische Entwicklungsbank AG [2]	-	27,587,348
Kreditanstalt fur Wiederaufbau ("KfW") [4]	111,902,000	82,500,000
Standard Chartered Bank ("SCB") [4]	25,000,000	-
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V ("FMO") [4]	55,410,000	-
Standard Bank South Africa Limited ("SBSA") [4]	25,000,000	-
Total fund capital	605,381,690	637,332,948

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 EUR 20m).

3 International Finance Corporation, African Development Bank and Oesterreichische Entwicklungsbank AG were fully repaid on 10 November 2014 following the cancellation of their 2010 and 2011 facilities.

4 On 29 October 2014, EAIF signed a Common Terms Agreement with KfW, SC, FMO and SBSA as lenders to EAIF. KfW offers fixed and floating rate term loans with SCB, FMO and SBSA offering revolver facilities.

26 Related party transactions

During the year ended 31 December 2014, the Company had transactions and balances with its related parties

Name of company	Nature of relationship	Nature of transaction	31 Dec 2014 USD	31 Dec 2013 USD
Transactions during the year:				
PIDG Trust	Shareholder	Grant amortised	349,835	155,892
		Grant received/(reimbursed)	318,833	-
		Issue of shares	30,824,100	162,446,990
Balances outstanding as at:				
PIDG Trust	Shareholder	Grant received	192,936	233,938

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

	Carrying Amount				Fair Value			
31 December 2014	Loans and receivables	Available-for-sale	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Available-for-sale financial assets	-	31,746,574	-	31,746,574	30,476,400	1,270,174	-	31,746,574
Derivative financial instrument	-	340,604	-	340,604	-	340,604	-	340,604
	-	32,087,178	-	32,087,178				
Financial assets not measured at fair value								
Loan and advances	384,405,726	-	-	384,405,726				
Trade and other receivables	7,787,662	-	-	7,787,662				
Cash and cash equivalents	39,622,197	-	-	39,622,197				
	431,815,585	-	-	431,815,585				
Financial liabilities not measured at fair value								
Loans and borrowings	-	-	96,470,016	96,470,016				
Trade and other payables	-	-	2,561,490	2,561,490				
	-	-	99,031,506	99,031,506				

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
31 December 2013								
Financial assets measured at fair value								
Available-for-sale financial assets	-	1,270,174	-	1,270,174	-	1,270,174	-	1,270,174
	-	1,270,174	-	1,270,174				
Financial assets not measured at fair value								
Loan and advances	365,254,903	-	-	365,254,903				
Trade and other receivables	4,580,040	-	-	4,580,040				
Cash and cash equivalents	83,114,134	-	-	83,114,134				
	452,949,077	-	-	452,949,077				
Financial liabilities measured at fair value								
Derivative financial instrument	-	-	121,259	121,259	-	121,259	-	121,259
	-	-	121,259	121,259				
Financial liabilities not measured at fair value								
Loans and borrowings	-	-	70,810,402	70,810,402				
Trade and other payables	-	-	4,379,642	4,379,642				
	-	-	75,190,044	75,190,044				

28 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:

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Loans and advances	**384,405,726**	365,254,903
Available-for-sale financial assets	**31,746,574**	1,270,174
Derivative financial instruments	**340,604**	-
Cash and cash equivalents	**39,622,197**	83,114,134
Trade and other receivables	**7,787,662**	4,580,040
	463,902,763	454,219,251

28 Financial instruments and associated risks (Continued)

Financial risk management (continued)

Credit risk (Continued)

(i) *Loan interest receivable*

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

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

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Republic of Cameroon	214,666	298,172
Mozambique	60,471	67,256
Republic of Nigeria	1,093,366	1,515,749
Uganda	43,516	407,308
Kenya	795,998	545,467
Congo	16,384	42,206
Algeria	183,938	200,690
East Africa	451,651	539,642
Pan Africa	820,861	225,951
Senegal	105,883	153,330
Tanzania	230,046	80,954
Tunisia	2,322	-
Ethiopia	238,950	108,429
Ghana	29,997	23,559
Ivory Coast	561,751	151,671
Republic of Rwanda	163,075	-
	5,012,875	4,360,384

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

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Mining	60,471	67,256
Telecommunications	952,077	849,690
Industrial Infrastructure	573,105	919,910
Power	3,082,389	2,261,769
Transport	344,833	261,759
	5,012,875	4,360,384

28 Financial instruments and associated risks (Continued)

Financial risk management (continued)

Credit risk (Continued)

(ii) *Loans and advances*

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Republic of Cameroon	15,451,741	21,415,697
Mozambique	2,525,253	53,674,692
Republic of Nigeria	72,091,900	73,987,969
Uganda	25,022,713	35,655,955
Kenya	51,480,183	32,973,169
Congo	7,500,000	
Algeria	14,750,000	16,000,000
East Africa	27,687,801	31,417,801
Pan Africa	27,146,750	17,343,386
Senegal	7,374,407	11,052,181
Tanzania	28,836,250	19,667,500
Ethiopia	25,392,857	13,178,571
Ghana	13,981,228	11,538,245
Ivory Coast	33,046,653	8,880,422
Tunisia	15,600,000	12,000,000
Republic of Rwanda	16,517,990	6,469,315
	384,405,726	365,254,903

The maximum exposure to credit risks for loans and advances at the reporting date by sector was as follows:

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Mining	2,525,253	53,674,692
Telecommunications	56,937,801	49,289,385
Industrial Infrastructure	104,328,298	82,293,634
Power	187,847,110	155,766,440
Transport	32,767,264	24,230,752
	384,405,726	365,254,903

28 Financial instruments and associated risks (Continued)

Financial risk management (continued)

Credit risk (Continued)

(iii) *Impairment*

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

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Balance at 1 Jan	**20,195,806**	22,116,524
Movement	**61,879,159**	(1,920,718)
Balance at 31 Dec	**82,074,965**	20,195,806

(iv) *Cash and cash equivalents*

The Company held cash and cash equivalents of USD 39,622,197 as at 31 December 2014 (2013: USD 83,114,134). 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 Common Terms Agreement (CTA), 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) Interest Cover in respect of the relevant Calculation Period does not fall below a ratio of 1.5:1; and

(c) the Equity of the Borrower does not fall below US$150,000,000 at any time.

28 Financial instruments and associated risks (Continued)

Financial risk management (continued)

Liquidity risk (Continued)

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

	Less than 6 months USD	6-12 months USD	1-2 years USD	2-5 years USD	More than 5 years USD	Total USD
31 December 2014						
Loans and borrowings	-	-	-	29,568,179	66,901,837	96,470,016
Trade and other payables	2,561,490	-	-	-	-	2,561,490
	2,561,490	-	-	29,568,179	66,901,837	99,031,506

	Less than 6 months USD	6-12 months USD	1-2 years USD	2-5 years USD	More than 5 years USD	Total USD
31 December 2013						
Loans and borrowings	4,749,056	4,749,055	18,996,222	42,316,069	-	70,810,402
Derivative fianacial instrument	121,259	-	-	-	-	121,259
Trade and other payables	-	4,379,642	-	-	-	4,379,642
	4,870,315	9,128,697	18,996,222	42,316,069	-	75,311,303

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.

(i) *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 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
	Year Ended 31 Dec 2014		Year Ended 31 Dec 2013	
	USD	USD	USD	USD
United States Dollar	371,192,353	22,327,119	363,200,272	33,275,375
Great Britain Pound Sterling	-	24,038	410	417,758
Euro	92,710,410	76,680,349	91,018,569	41,618,170
	463,902,763	99,031,506	454,219,251	75,311,303

28 **Financial instruments and associated risks (Continued)**

Financial risk management (continued)

Market risk (Continued)

(i) *Currency risk (Continued)*

The Company is exposed to foreign currency risk on its transactions that are denominated in currencies other than United States Dollar. At 31 December 2014, the Company had liabilities denominated in Euro and Great Britain Pound Sterling.

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

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
USD:EUR	0.8221	0.7250
USD:GBP	0.6426	0.6069

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

Sensitivity analysis

A 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.

Effects in USD	Increase by 4%		Decrease by 4%	
	Equity	Profit or loss	Equity	Profit or loss
31 December 2014				
EUR	(616,541)	(616,541)	667,919	667,919
GBP	925	925	(1,002)	(1,002)
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)

(ii) *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:

	As at 31 Dec 2014 USD	As at 31 Dec 2013 USD
Variable rate instruments		
Financial assets	429,084,744	452,956,324
Financial liabilities	(96,717,770)	(75,311,303)
	332,366,974	377,645,021

Sensitivity analysis

At 31 December 2014, 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 4,142,034 (2013: USD 3,978,408) higher/lower, mainly as a result of higher/lower interest income and expense on floating rate borrowings.

(iii) *Price risk*

The Company is exposed to price risk, which arise from available-for-sale secured notes.

Sensitivity analysis

The Company secured notes investment is listed on the London Stock Exchange. For such investment classified as available-for-sale, a 2% increase in FTSE 100 at 31 December 2014, would have increased equity by USD 609,528.

29 **Subsequent events**

There were no material subsequent events after the reporting date.