

The Emerging Africa Infrastructure Fund Limited
Financial Statements
For the year ended 31 December 2016

The Emerging Africa Infrastructure Fund Limited

Contents	Page
Corporate data	1-2
Director's Report	3
Secretary's Report	4
Auditors' Report	5-8
Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13-36

The Emerging Africa Infrastructure Fund Limited

Corporate Data

For the year ended 31 December 2016

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

The Emerging Africa Infrastructure Fund Limited

Corporate Data

For the year ended 31 December 2016

Fund Manager

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

Appointment date: 09 May 2016

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

Resignation date: 09 May 2016

Corporate Secretary

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

Appointment date: 01 April 2016

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

Resignation date: 01 April 2016

Auditors

KPMG
KPMG Centre
31 Cybercity, Ebène
Mauritius

The Emerging Africa Infrastructure Fund Limited

Directors' report

For the year ended 31 December 2016

The directors present their report together with the audited financial statements of The Emerging Africa Infrastructure Fund Limited (the "Company") for the year ended 31 December 2016.

Principal activities

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

Results and dividends

The results for the year are shown on page 9.

The Board of directors has not declared a dividend for the year under review (2015: 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 presents 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: 31 MAR 2017

The Emerging Africa Infrastructure Fund Limited

Secretary's report

For the year ended 31 December 2016

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 2016, 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: **31 MAR 2017**



KPMG
KPMG Centre
31, Cybercity
Ebène
Mauritius
Telephone +230 406 9999
Telefax +230 406 9988
BRN No. F07000189
Website www.kpmg.mu

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER 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 2016 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 36.

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 2016 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 (CONTINUED)**

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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

Directors' Responsibility for the Financial Statements

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

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



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

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 (CONTINUED)**

Report on the audit of 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

Désiré Lan, BSc FCA
Licensed by FRC

Date: **31 March 2017**

The Emerging Africa Infrastructure Fund Limited

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2016

	Notes	Year Ended 31-Dec-16 USD	Year Ended 31-Dec-15 USD
Interest income on loans and advances	7	41,195,094	23,088,720
Interest income on debt instruments		3,928,906	3,776,754
Interest expense		(2,120,663)	(1,809,354)
Net interest income		43,003,337	25,056,120
Other income			
Interest income on deposits	8	129,900	94,917
Loan fee income	9	2,411,444	1,611,588
Grant income	25	1,646,643	576,561
Amortisation of deferred income	25	2,967,405	2,671,303
Realised gain on financial assets		2,206,595	-
Foreign exchange gain/(loss)	10	548,469	(438,717)
Total other income		9,910,456	4,515,652
Amortisation of deferred expenses	17	(3,179,091)	(823,786)
Other expenses			
Fund manager expenses	12	(17,620,768)	(10,375,383)
Monitoring fee expenses		(8,567)	-
Loan expenses		(84,378)	(40,833)
Professional fees and expenses		(569,900)	(596,882)
Administration expenses		(1,358,786)	(1,356,411)
Grant expenses		(1,646,643)	(576,561)
		(21,289,042)	(12,946,070)
Profit before impairment of financial assets		28,445,660	15,801,916
Fair value adjustment - amount transferred from Other comprehensive income		(617,739)	-
Impairment of financial assets			
Loans written off	14	(15,127,538)	-
Reversal of provision for impairment of loan and advances	13 (i)	57,221,188	-
Provision for impairment of available-for-sale financial assets and interest	13 (ii)	(9,906)	(264,696)
Provision for impairment of held-to-maturity financial assets	13 (iii)	(13,061,481)	-
Provision for impairment of loans and advances	13 (i)	(26,061,551)	-
		2,960,712	(264,696)
Profit before tax		30,788,633	15,537,220
Income tax expense	11	(329,449)	(481,114)
Profit for the year		30,459,184	15,056,106
Other comprehensive income			
<i>Items that are or may be subsequently reclassified to profit or loss:</i>			
Fair value reserve - amount transferred to profit or loss		443,997	(46,554)
Fair value reserve - available-for-sale financial assets		3,241,243	-
Total other comprehensive income	23	3,685,240	(46,554)
Total comprehensive income for the year		34,144,424	15,009,552

The notes on pages 13 to 36 form an integral part of these financial statements.

The Emerging Africa Infrastructure Fund Limited

Statement of financial position

As at 31 December 2016

	Notes	31-Dec-16 USD	31-Dec-15 USD
Assets			
<i>Non-current assets</i>			
Loans and advances	14	375,696,806	384,565,074
Available-for-sale financial assets	15	63,732,735	1,072,588
Held-to-maturity financial assets	16	18,827,792	30,450,063
Deferred expenses	17	2,624,339	3,904,802
		<u>460,881,672</u>	<u>419,992,527</u>
<i>Current assets</i>			
Loans and advances	14	56,003,213	40,639,620
Trade and other receivables	18	6,799,297	6,811,000
Derivative financial instruments	19	440,996	-
Prepayments		17,627	42,825
Bank deposits	20	2,000,000	6,027,413
Cash and cash equivalents	21	15,593,952	15,216,471
		<u>80,855,085</u>	<u>68,737,329</u>
Total Assets		<u>541,736,757</u>	<u>488,729,856</u>
Equity and Liabilities			
Equity			
Share capital	22	391,869,690	389,869,690
Share premium		10	10
Fair value reserve	23	3,863,047	177,807
Retained earnings/(loss)		16,611,394	(13,847,790)
Total equity		<u>412,344,141</u>	<u>376,199,717</u>
Liabilities			
<i>Non-current liabilities</i>			
Loans and borrowings	24	82,945,879	98,547,516
Deferred income	25	9,520,788	9,499,262
		<u>92,466,667</u>	<u>108,046,778</u>
<i>Current liabilities</i>			
Loans and borrowings	24	31,858,769	-
Current tax liabilities	26	152,400	150,868
Trade and other payables	27	4,914,780	4,332,493
		<u>36,925,949</u>	<u>4,483,361</u>
Total Equity and Liabilities		<u>541,736,757</u>	<u>488,729,856</u>

The financial statements have been approved by the Board of directors and authorised for issue on: **31 MAR 2017**

.....

.....

The notes on pages 13 to 36 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 2016

Notes	Share Capital USD	Share Premium USD	Fair Value Reserve USD	Retained Earnings/(Loss) USD	Total USD
Balance at 1 January 2015	388,069,690	10	224,361	(28,903,896)	359,390,165
Total comprehensive income for the year					
Other comprehensive loss	-	-	(46,554)	-	(46,554)
Profit for the year	-	-	-	15,056,106	15,056,106
Transaction with owners, recognised directly in equity					
Issue of shares	1,800,000	-	-	-	1,800,000
Balance at 31 December 2015	389,869,690	10	177,807	(13,847,790)	376,199,717
Total comprehensive income for the year					
Other comprehensive income	-	-	3,685,240	-	3,685,240
Profit for the year	-	-	-	30,459,184	30,459,184
Transaction with owners, recognised directly in equity					
Issue of shares	2,000,000	-	-	-	2,000,000
Balance at 31 December 2016	391,869,690	10	3,863,047	16,611,394	412,344,141

The notes on pages 13 to 36 form an integral part of these financial statements.

The Emerging Africa Infrastructure Fund Limited

Statement of cash flows

For the year ended 31 December 2016

	Notes	31 Dec 2016 USD	31 Dec 2015 USD
Cash flows from operating activities			
Profit for the year		30,459,184	15,056,106
<i>Adjustments for:</i>			
Net interest income		(43,003,337)	(21,279,366)
Amortisation of deferred income		(2,967,405)	(2,671,303)
Interest income on deposits and debt instruments		(129,900)	(3,871,671)
Amortisation of deferred expenses		3,179,091	823,786
Grant income		(1,646,643)	(576,561)
Reversal of provision for impairment of loans and advances		(57,221,188)	-
Provision for impairment of financial assets		39,132,938	264,696
Loans written off		15,127,538	-
Unrealised foreign exchange loss on financial assets		322,893	956,655
Unrealised foreign exchange (gain)/loss on derivative financial instruments		(440,996)	340,604
Fair value adjustment		617,739	-
Income tax expense		329,449	481,114
		(16,240,637)	(10,475,940)
<i>Changes in:</i>			
Loans and advances		8,754,435	(50,153,317)
Available-for-sale financial assets		(50,000,000)	-
Bank deposits		4,027,413	29,972,587
Deferred income		2,786,748	3,271,730
Trade and other receivables		553,998	2,115,605
Trade and other payables		523,638	1,832,526
		(49,594,405)	(23,436,809)
Grant received	25	1,848,827	659,561
Interest income received		32,921,498	22,265,223
Interest expense paid		(2,062,014)	(1,870,877)
Income tax paid		(327,917)	(602,446)
Net cash used in operating activities		(17,214,011)	(2,985,348)
Cash flows from investing activities			
Interest received on cash balances		-	3,913
Interest received on deposits and debt instruments		(794,002)	3,178,567
Net cash from investing activities		(794,002)	3,182,480
Cash flows from financing activities			
Issue of ordinary shares		2,000,000	1,800,000
Payment of loan fees	17	(1,898,628)	(1,164,474)
Proceeds from borrowings		95,344,559	56,239,180
Repayment of borrowings		(77,060,437)	(45,477,564)
Net cash from financing activities		18,385,494	11,397,142
Net increase in cash and cash equivalents		377,481	11,594,274
Cash and cash equivalents at beginning of year		15,216,471	3,622,197
Cash and cash equivalents at end of year		15,593,952	15,216,471

The notes on pages 13 to 36 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 2016

1 Reporting entity

(a) General Information

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

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

(b) Statement of Compliance

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

2 Basis of preparation

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presume 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.

These 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 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 carrying values of 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 2015, except for the judgements exercised with respect to the provision for impairment and fair values of financial assets. Further information about the assumptions made in measuring fair values are disclosed in note 29.

(a) Judgements

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

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

3 Use of judgements and estimates (continued)

(a) *Judgements (continued)*

(i) 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 USD. Most of the loans and advances are disbursed and paid in USD and most of the interest income and expenses (including fund manager expenses) are denominated and paid in USD. Accordingly, management has determined that the functional currency of the Company is USD.

(b) *Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2016 is set out below.

(i) Impairment of financial instruments

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

Financial assets measured at amortised cost

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

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

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value to 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 profit or loss.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

4 Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

(ii) Measurement of fair values

The Company has an established control framework with respect to the measurement of fair values. The investment directors have overall responsibility for overseeing all significant fair value measurements.

The Company has established a control framework with respect to the measurement of fair values. The Valuation Committee of the fund manager has the overall responsibility for overseeing all significant fair value measurements, which are approved by the Company's Credit Committee. The Valuation Committee reports to the Risk Committee of the fund manager.

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

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

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

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

5 Accounting policies

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

(a) Foreign currency transactions

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

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

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

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

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

5 Accounting policies (continued)

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

(c) *Deferred income*

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

(d) *Deferred expenses*

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

(e) *Loan fee income*

Loan fee income consist of appraisal, annual monitoring, participation, waiver and loan restructuring 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.

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 other comprehensive income.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

5 Accounting policies (continued)

(g) *Income tax (continued)*

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

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

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

(h) *Financial assets and financial liabilities*

(i) Recognition and derecognition

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

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in 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 Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

5 Accounting policies (continued)

(h) Financial assets and financial liabilities (continued)

(i) Recognition and derecognition (continued)

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

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

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

(ii) Classification and subsequent measurement

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

Held-to-maturity financial assets

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

Loans and 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 other comprehensive income (OCI) and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. However, in cases where the fair value cannot be reliably measured, they are measured at cost and changes therein are recognised in OCI and accumulated in the fair value reserve.

Financial assets and liabilities at fair value through profit or loss

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

Other financial liabilities

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs.

The Emerging Africa Infrastructure Fund Limited

**Notes to the financial statements
For the year ended 31 December 2016**

5 Accounting policies (continued)

(i) Share capital

(i) Ordinary Shares

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

6 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Disclosure Initiative (Amendments to IAS 7)

The amendments provide for disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. This includes providing a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The impact on the financial statements of the Company has not yet been estimated.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments provide additional guidance on the existence of deductible temporary differences, which depend solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of

The amendments also provide additional guidance on the methods used to calculate future taxable profit to establish whether a deferred tax asset can be recognised.

Guidance is provided where an entity may assume that it will recover an asset for more than its carrying amount, provided that there is sufficient evidence that it is probable that the entity will achieve this.

Guidance is provided for deductible temporary differences related to unrealised losses are not assessed separately for recognition. These are assessed on a combined basis, unless a tax law restricts the use of losses to deductions against income of a specific type.

The amendments apply for annual periods beginning on or after 1 January 2017; early application is permitted.

The impact on the financial statements of the Company has not yet been estimated.

Notes to the financial statements

For the year ended 31 December 2016

6 New standards and interpretations not yet adopted (continued)

IFRS 15 Revenue from contracts with customers

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

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

This new standard will most likely have a significant impact on the Company, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Company is currently in the process of performing a more detailed assessment of the impact of this standard on the Company and will provide more information in the year ending 31 December 2017 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2017 with retrospective application, early adoption is permitted.

The impact on the financial statements of the Company has not yet been estimated.

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.

The impact on the financial statements of the Company has not yet been estimated.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

7 Interest income

	31-Dec-16 USD	31-Dec-15 USD
Interest income earned in the current period	33,058,014	23,088,720
Interest income previously suspended recognised in the current period	8,137,080	-
	<u>41,195,094</u>	<u>23,088,720</u>

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

8 Interest income on deposits

	31-Dec-16 USD	31-Dec-15 USD
Interest on bank balance and deposits	54,448	74,700
Amortisation of fair value gain	173,742	46,554
Amortisation of investment cost (Note 16)	(98,290)	(26,337)
	<u>129,900</u>	<u>94,917</u>

9 Loan fee income

	31-Dec-16 USD	31-Dec-15 USD
Loan arrangement and restructuring fees	1,059,130	643,306
Annual monitoring fees	308,431	140,162
Consent and waiver fees	345,649	584,494
Loan breakage fees	104,251	11,677
Appraisal fees	69,015	216,551
Other fees	524,968	15,398
	<u>2,411,444</u>	<u>1,611,588</u>

Other fees consists of environmental, social and advisory fees, and legal costs incurred by the Company which were reimbursed by the borrowers.

10 Foreign exchange gain/(loss)

	31-Dec-16 USD	31-Dec-15 USD
Unrealised loss on net loans	(322,893)	(956,655)
Unrealised loss on cash balances	(158,150)	(17,017)
Realised gain/(loss) on monetary transactions	514,082	(198,906)
Realised gain on forward contracts	74,434	733,861
Unrealised gain on forward contracts	440,996	-
	<u>548,649</u>	<u>(438,717)</u>

Monetary transactions

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.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

11 Income tax expense

The Company is subject to income tax in Mauritius at 15% (2015: 15%). It is entitled, however, to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritian tax on its foreign source income. Capital gains tax are exempt from tax in Mauritius.

	31-Dec-16 USD	31-Dec-15 USD
Total income tax expense for the year	329,449	481,114
<i>Calculation of the income tax expense</i>		
Profit for the year before tax	30,788,633	15,537,220
Less: Exempt income	(59,557,684)	(94,887)
Add: Non deductible expenses	39,750,677	594,793
	10,981,626	16,037,127
Tax at 15%	1,647,244	2,405,569
Tax credit at 80%	(1,317,795)	(1,924,455)
Tax expense for the year	329,449	481,114

12 Fund manager expenses

Frontier Markets Fund Managers Limited

Up to 08 May 2016, substantially all of the Company's management, administration and reporting was set out under the Third Amended and Restated Fund Management Agreement entered into with Frontier Markets Fund Managers Limited ("FMFML") as the Fund Manager, a private Company incorporated in Mauritius and 100% owned by Harith Investment Partners (Pty) Ltd. Under the terms of the Agreement FMFML was 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 (PLBTPF).
- (iii) A fixed fee uplift was agreed between the Company and FMFML for the resourcing of additional staff to support the business activities of the Company.

A Termination Agreement dated 9 May 2016 was entered into between EAIF, GuarantCo Limited, FMFML, Harith General Partners (Pty) Ltd and Harith Partners UK Ltd (trading as Frontier Markets Fund Managers "FMFML"). FMFML provided advisory services to EAIF. In accordance with clause 5.4.3 of the Termination Agreement, a termination fee of USD 5,000,000 was payable by the Company to FMFML and in accordance with clause 2.2 a further amount of USD 231,000 is payable in respect of the post termination costs.

Investec Asset Management Guernsey Limited

Effective 9 May 2016 Investec Asset Management Guernsey Limited ("IAMGL") was appointed as Fund Manager. IAMGL is due a management fee calculated quarterly as the product of (a) the Applicable Management Fee Percentage pro-rated based on a fee sliding scale; and (b) the Average Portfolio Commitments as set out under the Management Agreement dated 5 May 2016.

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

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

12 Fund manager expenses (continued)

Breakdown of fund manager expenses:

	31-Dec-16 USD	31-Dec-15 USD
<i>Frontier Markets Fund Managers Limited</i>		
Fixed fee	1,762,295	5,000,000
Fixed fee uplift	275,004	-
Termination fee	5,000,000	-
Contribution to post termination costs	231,000	-
Fixed fee under accrued in prior year	-	12,369
Performance fee	2,072,121	5,363,014
	<u>9,340,420</u>	<u>10,375,383</u>
<i>Investec Asset Management Guernsey Limited</i>		
Management fee		
- fixed fee in terms of the Fund Manager Agreement	5,084,454	-
- cost recovery in terms of the side letter to the Fund Manager Agreement	1,263,801	-
Performance fee	1,932,093	-
	<u>8,280,348</u>	<u>-</u>
	<u>17,620,768</u>	<u>10,375,383</u>

13 Provision for impairment of financial assets

	31-Dec-16 USD	31-Dec-15 USD
(i) <i>Loans and advances</i>		
Opening balance	82,074,965	82,074,965
Provision for impairment of loans and advances	26,061,551	-
Reversal of provision for impairment of loans and advances	(57,221,188)	-
Closing balance	<u>50,915,328</u>	<u>82,074,965</u>
(ii) <i>Available-for-sale financial assets</i>		
Opening balance	264,696	-
Movement for the year	9,906	264,696
Closing balance	<u>274,602</u>	<u>264,696</u>
Movement for the year		
Impairment of costs	-	197,586
Impairment of accrued interest	9,906	67,110
	<u>9,906</u>	<u>264,696</u>
(iii) <i>Held-to-maturity financial assets</i>		
Opening balance	-	-
Provision for impairment of loans and advances	13,061,481	-
Closing balance	<u>13,061,481</u>	<u>-</u>

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

14 Loans and advances

	31-Dec-16 USD	31-Dec-15 USD
Opening balance	515,416,739	466,480,691
Disbursements	88,625,033	106,460,956
Repayments	(97,379,468)	(56,307,639)
Loans written off	(15,127,538)	-
Converted to Available-for-sale financial assets	(9,418,904)	-
Interest capitalised	3,025,022	8,423,501
Loss on revaluation of Euro-denominated loans and advances	(2,349,882)	(9,640,770)
Closing balance	482,791,002	515,416,739
Provision for impairment	(50,915,328)	(82,074,965)
Interest suspended	(175,655)	(8,137,080)
	(51,090,983)	(90,212,045)
Net loans and advances	431,700,019	425,204,694
<i>Classification of loans and advances between non current and current</i>		
Non current	375,696,806	384,565,074
Current	56,003,213	40,639,620
	431,700,019	425,204,694

14 (a) Undisbursed loan commitments

As at 31 December 2016, the undisbursed loan commitments were **USD 75 828 238** and EUR nil (2015: USD 116,677,807 and EUR 19,603,944).

14 (b) Interest suspended

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

15 Available-for-sale financial assets

	31-Dec-16 USD	31-Dec-15 USD
<i>Fixed income investments (i)</i>		
At beginning of the year	-	30,476,400
Acquisitions during the year	50,000,000	-
Unrealised fair value gain	844,000	-
Reclassification to held-to-maturity financial assets	-	(30,476,400)
At end of the year	50,844,000	-

- (i) In October 2015, management assessed the Seven Energy Finance Limited bond and given the Company's positive intention and ability to hold the bond until maturity, it was agreed that the bond should be reclassified as held-to-maturity. This reclassification is in accordance with IAS 39.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

15 Available-for-sale financial assets (continued)

	31-Dec-16 USD	31-Dec-15 USD
<i>Equity investments</i>		
At beginning of the year	1,072,588	1,270,174
Acquisition during the year	9,418,904	-
Provision for impairment	-	(197,586)
Unrealised fair value gain	2,397,243	-
At end of the year	12,888,735	1,072,588
	63,732,735	1,072,588

Details of investments:

Name of company	Country of incorporation	Type of investment held	Holding 31-Dec-16	Carrying value 31-Dec-16 USD	Carrying value 31-Dec-15 USD
<i>Quoted investments</i>					
IHS Netherlands Holdco Bv	Ireland	Bond	50,000,000	50,844,000	-
Kenmare Resources plc	UK	Ordinary shares	3,007,315	9,515,896	-
<i>Unquoted investments</i>					
Aldwych Holdings Limited (ii)	UK	Ordinary A shares	2,316	7,072	7,247
Aldwych Holdings Limited (ii)	UK	Deferred shares	182,684	2,053	-
IPS Cable System Holding Limited	Mauritius	Share warrant	1,065,341	3,363,714	1,065,341
				63,732,735	1,072,588

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

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

16 Held-to-maturity financial assets

	Holding 31-Dec-16	Carrying value 31-Dec-16 USD	Carrying value 31-Dec-15 USD
<i>Quoted investments</i>			
At beginning of the year	30,000,000	30,450,063	-
Transfer from available-for-sale financial assets	-	-	30,476,400
Interest capitalised	1,912,500	1,537,500	-
Amortisation of cost (i)		(98,290)	(26,337)
Provision for impairment		(13,061,481)	-
At end of the year	31,912,500	18,827,792	30,450,063

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

17 Deferred expenses

	Refinancing Cost USD	Upfront Fees USD	Commitment Fees USD	Total USD
At 1 January 2015	1,369,953	2,215,237	(21,076)	3,564,114
Movement during the year	95,651	-	1,068,823	1,164,474
Amortisation charge	(196,183)	(436,995)	(190,608)	(823,786)
At 31 December 2015	1,269,421	1,778,242	857,139	3,904,802
Movement during the year	107,988	696,818	1,093,822	1,898,628
Amortisation charge	(883,875)	(1,252,652)	(1,042,564)	(3,179,091)
At 31 December 2016	493,534	1,222,408	908,397	2,624,339

18 Trade and other receivables

	31-Dec-16 USD	31-Dec-15 USD
Loan interest receivable	5,228,506	5,549,954
Bank accrued interest	14,252	19,708
Interest accrued on income notes	1,604,349	750,443
Other receivables	29,205	558,005
	6,876,312	6,878,110
Provision for impairment - interest on income notes	(77,015)	(67,110)
	6,799,297	6,811,000

19 Derivative financial instruments

	31-Dec-16 USD	31-Dec-15 USD
Forward foreign exchange contract - at fair value	440,996	-

The notional amount of the outstanding forward foreign exchange contract as at 31 December 2016 is **EUR 7,217,556** (2015: nil).

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

20 Bank deposits

	31-Dec-16 USD	31-Dec-15 USD
Barclays Bank Mauritius Limited		
- Fixed deposit account	2,000,000	6,027,413
	<u>2,000,000</u>	<u>6,027,413</u>

21 Cash and cash equivalents

	31-Dec-16 USD	31-Dec-15 USD
Barclays Bank Mauritius Limited		
- Operating account	14,099,912	14,184,776
- TAF Grant	1,225,374	1,016,975
Standard Chartered Bank (Mauritius) Limited	268,666	14,720
	<u>15,593,952</u>	<u>15,216,471</u>

22 Share Capital

	31-Dec-16		31-Dec-15	
	Shares	USD	Shares	USD
<i>Ordinary shares, issued and fully paid</i>				
Opening balance	38,986,969	389,869,690	38,806,969	388,069,690
Issue of shares	200,000	2,000,000	180,000	1,800,000
Closing balance	<u>39,186,969</u>	<u>391,869,690</u>	<u>38,986,969</u>	<u>389,869,690</u>

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-16 USD	31-Dec-15 USD
At beginning of the year	177,807	224,361
Movement during the year	3,685,240	(46,554)
At end of the year	<u>3,863,047</u>	<u>177,807</u>

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

24 Loans and borrowings

	31-Dec-16 USD	31-Dec-15 USD
Non-current liabilities		
Kreditanstalt fur Wiederaufbau ("KfW")	17,000,000	59,765,888
Kreditanstalt fur Wiederaufbau - EUR	65,945,879	-
Nederlandse Financierings – Maatschappij voor Ontwikkelingslanden N.V ("FMO")	-	27,348,628
Standard Chartered Bank ("SC")	-	11,433,000
	82,945,879	98,547,516
Current liabilities		
Kreditanstalt fur Wiederaufbau - EUR	6,030,269	-
Standard Chartered Bank	18,000,000	-
Standard Chartered Bank - EUR	6,328,500	-
Standard Bank South Africa ("SBSA")	1,500,000	-
	31,858,769	-
The above borrowings are denominated in the following currencies:		
US Dollar	36,500,000	17,433,000
Euro	78,304,648	81,114,516
	114,804,648	98,547,516

Terms of loans and borrowings

Lender	Currency	Maturity date	Total committed	Undisbursed
KfW Facility D2	USD	17 June 2028	65,000,000	58,000,000
KfW Facility D3	USD	17 June 2028	20,000,000	10,000,000
SBSA Facility C1	USD	29 October 2018	25,000,000	23,500,000
FMO Facility C2	USD	29 October	25,000,000	25,000,000
				116,500,000
KfW Facility B	EUR	29 October 2024	55,000,000	-
KfW Facility D1	EUR	17 June 2028	45,000,000	31,759,992
FMO Facility C2	EUR	29 October	25,000,000	25,000,000
SC Facility C3	USD/EUR	29 October 2019	25,000,000	671,500
				57,431,492

25 Deferred income

	TAF Grant ¹ USD	Restructuring Fees USD	Upfront Fees USD	Commitment Fees USD	Total USD
At 1 January 2015	192,936	1,534,210	3,890,471	3,198,218	8,815,835
Movement during the year	659,561	-	1,479,989	1,791,741	3,931,291
Amortisation charge	(576,561)	(392,918)	(1,246,684)	(1,031,701)	(3,247,864)
At 31 December 2015	275,936	1,141,292	4,123,776	3,958,258	9,499,262
Movement during the year	1,848,827	-	1,130,991	1,655,757	4,635,575
Amortisation charge	(1,646,643)	(96,647)	(1,398,240)	(1,472,519)	(4,614,049)
At 31 December 2016	478,120	1,044,645	3,856,527	4,141,496	9,520,788

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

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

26 Current tax liabilities

	31-Dec-16 USD	31-Dec-15 USD
At beginning of the year	150,868	272,200
Tax paid during the year	(327,917)	(602,446)
Income tax expense for the year	329,449	481,114
At end of the year	152,400	150,868

27 Trade and other payables

	31-Dec-16 USD	31-Dec-15 USD
<i>Frontier Markets Fund Managers Limited:</i>		
Fixed fee	-	1,112,726
Performance fees	-	2,778,965
<i>Investec Asset Management Guernsey Limited</i>		
Management fee	2,485,686	-
Performance fee	1,932,093	-
MDY Legal fees	158,341	69,914
Loan interest payable	244,880	186,231
Management company fees	2,393	20,000
Professional, legal and consultancy fees	-	17,864
Audit and tax fees	11,204	34,431
Other payables	80,183	112,362
	4,914,780	4,332,493

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-16 USD	31-Dec-15 USD
<i>Transactions during the year:</i>				
PIDG Trust	Shareholder	Grant amortised	1,646,643	576,561
		Grant received	1,848,827	659,561
		Issue of shares	2,000,000	1,800,000
Standard Bank Trust Company (Mauritius) Limited	Management Company	Professional fees	14,860	29,719
Intercontinental Trust Limited	Management Company	Professional fees	30,960	-
<i>Balances outstanding at end of the year:</i>				
PIDG Trust	Shareholder	Grant received	478,120	275,936
Standard Bank Trust Company (Mauritius) Limited	Management Company	Professional fees	-	20,000
Intercontinental Trust Limited	Management Company	Professional fees	2,393	-

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

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 2016				
Available-for-sale equity investments (quoted)	60,359,896	60,359,896	-	-
Available-for-sale equity investments (unquoted)	3,372,839	-	-	3,372,839
Derivative financial instruments	440,996	-	440,996	-
	<u>64,173,731</u>	<u>60,359,896</u>	<u>440,996</u>	<u>3,372,839</u>
31 December 2015				
Available-for-sale equity investments (unquoted)	1,072,588	-	-	1,072,588

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

Level 1: Inputs that are quoted market prices (unadjusted) in an active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and whose unobservable inputs have a significant effect on the instrument's valuation.

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

Significant unobservable inputs used in measuring fair value

IPS Cable System Holding Limited ("IPS")

The investment in IPS Cable System Holding Limited is valued using the book value valuation technique by valuing the only significant asset held by IPS, namely Seacom Capital Limited ("SCL") and applying the effective % of 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 280 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 280 million for SCL, equating to a fair value for the Company's investment in IPS of USD 3,363,714.

Financial instruments not measured at fair value

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

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

30 Financial risk management and review

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Committee, which is responsible for 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. There were no changes in the Company's approach to capital management during the year.

The Company is subject to externally imposed capital requirement. The equity of the Company should not fall below USD 150,000,000.

Credit risk

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

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

The Board has established the Credit Committee, which assesses each new borrower individually against the investment policy of the Company, 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 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 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-16 USD	31-Dec-15 USD
Loans and advances	431,700,019	425,204,694
Available-for-sale financial assets	50,844,000	-
Held-to-maturity financial assets	18,827,792	30,450,063
Derivative financial instruments	440,996	-
Trade and other receivables	6,799,297	6,811,000
Bank deposits	2,000,000	6,027,413
Cash and cash equivalents	15,593,952	15,216,471
	526,206,056	483,709,641

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

30 Financial risk management and review (continued)

Credit risk (continued)

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

	<i>Loans and advances</i>		<i>Loan interest receivable</i>	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
	USD	USD	USD	USD
Sector				
Agriculture	1,530,612	-	37,878	-
Mining	-	4,361,248	-	137,413
Telecommunications	81,706,903	80,504,051	1,010,950	605,372
Industrial infrastructure	98,813,225	102,860,932	1,041,585	1,347,901
Power	231,305,055	212,140,167	2,957,889	3,216,155
Transport	18,344,224	25,338,296	180,204	243,113
	431,700,019	425,204,694	5,228,506	5,549,954
Country/Region				
Republic of Cameroon	7,443,532	10,736,143	91,578	139,687
Mozambique	-	4,361,248	-	137,413
Republic of Nigeria	62,143,027	41,542,152	634,159	671,989
Uganda	35,984,113	24,857,365	174,838	260,895
Kenya	37,794,976	43,770,941	270,261	335,355
Congo	56,769,714	32,361,806	953,325	210,193
Algeria	3,321,495	13,950,000	177,972	168,497
Pan Africa	30,007,353	49,829,050	476,163	872,804
Senegal	27,232,326	15,871,011	193,001	131,798
Tanzania	24,840,000	27,340,000	150,582	230,280
Tunisia	4,358,071	16,438,069	59,829	440,980
Ethiopia	16,821,429	21,107,143	159,858	184,045
Ghana	41,583,319	40,981,258	70,778	57,114
Ivory Coast	52,057,885	48,590,158	999,878	890,999
Republic of Rwanda	31,342,779	33,468,350	816,284	817,905
	431,700,019	425,204,694	5,228,506	5,549,954

(ii) *Held-to-maturity financial assets*

The Company does not have any debt securities that were past due but not impaired at 31 December 2016.

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

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

(iv) *Derivatives*

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

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

30 Financial risk management and review (continued)

Liquidity risk

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

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

The Company is subject to the following financial covenants in terms of the Common Terms Agreement with lenders. As at 31 December 2016 the Company was in compliance with the financial covenants:

- (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 should not fall below a ratio of 1.5:1; and
- (c) the equity of the Company should not fall below US\$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 2016					
Loans and borrowings	28,843,634	3,015,135	12,060,538	70,885,341	114,804,648
Trade and other payables	4,914,780	-	-	-	4,914,780
	33,758,414	3,015,135	12,060,538	70,885,341	119,719,428
31 December 2015					
Loans and borrowings	1,085,946	1,096,067	17,572,222	93,571,671	113,325,906
Trade and other payables	4,332,493	-	-	-	4,332,493
	5,418,439	1,096,067	17,572,222	93,571,671	117,658,399

Undisbursed loan commitments:

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

Market risk

The Credit Committee oversees the market risk of the Company.

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

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

30 Financial risk management and review (continued)

Currency Risk

The ALCO oversees the currency risk of the Company.

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

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

The loans and advances provided to the borrowers in a currency other than the USD are predominantly hedged 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 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 2016, 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-16		31-Dec-15	
	USD	USD	USD	USD
United States Dollar	462,166,773	40,567,157	402,411,593	21,463,076
Great Britain Pound Sterling	-	602,743	-	119,707
Euro	76,928,018	78,549,528	81,298,048	81,297,226
	539,094,791	119,719,428	483,709,641	102,880,009

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

	31-Dec-16	31-Dec-15
	USD	USD
USD:EUR	0.94809	0.92026
USD:GBP	0.80929	0.67735

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.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

30 Financial risk management and review (continued)

Currency Risk (continued)

Effects in USD	Increase by 10%		Decrease by 10%	
	Equity	Profit or loss	Equity	Profit or loss
31 December 2016				
EUR	162,151	162,151	(162,151)	(162,151)
GBP	60,274	60,274	(60,274)	(60,274)
31 December 2015				
EUR	(82)	(82)	82	82
GBP	11,971	11,971	(11,971)	(11,971)

Interest rate risk

The ALCO assesses the interest rate risk of the Company.

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or are 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 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-16 USD	31-Dec-15 USD
<i>Variable rate instruments</i>		
Financial assets	409,362,396	413,358,084
Financial liabilities	(82,945,879)	(98,547,516)
	326,416,517	314,810,568

Sensitivity analysis

	Increase by 1%		Decrease by 1%	
	Equity USD	Profit or loss USD	Equity USD	Profit or loss USD
31 December 2016	3,264,165	3,264,165	(3,264,165)	(3,264,165)
31 December 2015	3,148,106	3,148,106	(3,148,106)	(3,148,106)

Price risk

As at 31 December 2016 the Company is exposed to price risk. The Company had available-for-sale financial assets which were measured at market value.

The Emerging Africa Infrastructure Fund Limited

Notes to the financial statements

For the year ended 31 December 2016

31 Events after reporting period

There were no material subsequent events after the reporting date.