AFRICA50

Investing in Infrastructure for Africa's Growth

ANNUAL REPORT 2019

AFRICA50

INVESTING IN INFRASTRUCTURE FOR AFRICA'S GROWTH

Africa50 - Project Development and Africa50 - Project Finance are two separate but complementary legal entities with separate and independent balance sheets.

This document highlights their achievements, progress on investment activities, and audited financial statements as at 31 December 2019.

Unless indicated otherwise, this report refers to both entities collectively as “Africa50”.

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INTRODUCTION & HIGHLIGHTS

Investing in Infrastructure for Africa's Growth

Africa50 was established by African governments and the African Development Bank to help bridge Africa's infrastructure funding gap by facilitating project development, mobilizing public and private sector finance, and investing in infrastructure on the continent.

Africa50 focuses on medium- to large-scale projects that have development impact while offering an appropriate risk-adjusted return to investors. Bringing project development and financing together in one platform, Africa50 seeks to provide support at every stage of the project cycle.

Projects and Investments

Africa50's portfolio comprises ten investments and it has a solid pipeline of projects under preparation for future investment. (See Part Three: Investments).

Priority Sectors

POWER

ICT*

TRANSPORT

MIDSTREAM GAS

Committed Capital

US$877 million

Shareholders

31

*Information and Communications Technology

In 2019, Africa50 continued to attract new investors, with Zimbabwe becoming a Class A shareholder. There are now 28 Class A shareholders (African sovereign states), as well as three Class B shareholders – the African Development Bank, the Central Bank of West African States, and the Bank Al-Maghrib. Committed capital is $877 million.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Accelerating infrastructure investment is critical to Africa's recovery efforts

The year 2020 was to be a year of much improved growth and development across the world. Not too long ago the world looked towards 2020 as the milestone year for even ending global poverty: "the vision 2020". It did not turn out as expected. The year 2020 will be long remembered as a year of a global pandemic with COVID-19. The world continues to reel in the aftermath of its consequences.

The pandemic risks reversing the more than a decade of real progress made by African countries through economic, political and other reforms unfolding across the continent. Just last year, and for the first time in a decade, investment expenditure accounted for more than half of Africa's GDP growth. This, however, should be set against a background of the African Development Bank's recent estimates that COVID-19 could result in a loss of between US$22.1 billion (base case scenario) and US$88.3 billion (worst case scenario) in Africa's GDP, equivalent to a projected GDP growth contraction of between 0.7 and 2.8 percentage points in 2020. This might lead to recession across Africa in 2020 if the current situation persists.

Before COVID-19, the African Development Bank had estimated a US$130-170 billion annual need to finance infrastructure in Africa. The Bank also estimated the annual infrastructure financing gap to be between US$68-108 billion. Increasing infrastructure investment on the continent, both to close its infrastructure gap with a special focus on health and social infrastructure and to underpin the continent's post-crisis efforts, will be vital. But African governments, on their own, do not have the resources to meet the enormous financing need. Africa therefore needs to mobilize its own, and external resources, to fund this infrastructure-led recovery program.

The work that Africa50 does as an early stage developer of infrastructure, accelerator of infrastructure investment, and mobiliser of public and private infrastructure finance for the continent, is more needed now than before.

Africa50 remains a leading pan-African infrastructure player, achieved through bringing together project co-developers and co-investors, African governments, and African and international development finance institutions and other financial institutions. Its mission

1. *AfDB, African Economic Outlook 2020*

is clear: to conceive, develop, and finance the infrastructure projects that Africa urgently needs now and for its long-term development.

Africa50's core sectors of power, transportation, ICT and midstream gas will continue to be of significance for Africa's economic growth; however, COVID-19 has increased the imperative to also look seriously at emerging sectors in healthcare and other social infrastructure, and at how to strengthen Africa's domestic production capacity and supply chains. This should ensure that African countries are better placed to deal more effectively with future shocks on the scale of the current pandemic.

In addition, increased digitalization to support remote working, adapt to changes in consumer demand patterns, bridge physical mobility restrictions, and prepare the continent to maximize the advantages and potential that can be realized from the 4th industrial revolution, is expected to lead to an increase in the significance of ICT infrastructure on the continent. This should mean more fibre-optic backbones, data centres, last-mile connectivity, telemedicine, geolocation tracking systems, etc. The advent of the African Continental Free Trade Area makes this even more pressing. We urgently need to connect Africans with each other and the world.

Access to finance remains a critical ingredient for infrastructure investment. But in addition to seeking external sources of financing available to invest in Africa, implementing programs that leverage Africa's own domestic resources to finance the continent's post-recovery and long-term development efforts would demonstrate Africa's initiative for developing homegrown solutions to its challenges. One such solution could be an Asset recycling program; a framework that could potentially unlock billions of US dollars of capital currently tied down in state-owned infrastructure assets, to be fully ploughed back into new (greenfield) infrastructure assets across Africa.

Africa50, in less than four years of operation, has co-developed and co-financed several solar, thermal, and hydropower plants. It is bridging a major transport gap in Central Africa; developing an important technology hub in East Africa; leveraging domestic gas resources to deliver base load power to key industries in West Africa; and delivering on-grid renewable energy to people and businesses in Northern Africa. Moreover, Africa50 has become a thought leader on how to do infrastructure right, publishing studies and editorials, advocating at major events, and launching an important Innovation Challenge for internet connectivity. Africa needs Africa50 to do even more.

I would like to commend the CEO of Africa50, Alain Ebobissé and his team at Africa50, as well as Africa50's Board of Directors and shareholders, for their dedication to and passion for Africa. As Africa positions itself towards recovery from the global COVID-19 pandemic, all hands must be on deck. Africa50 will continue to position itself to support infrastructure for enabling recovery.

Africa50's future is bright. It has the tools, it has the finance, and it has the people to help close the continent's infrastructure gap. It deserves to succeed, and for this it has the full support of the African Development Bank.

Dr. Akinwumi A. Adesina

MESSAGE FROM THE CEO
Moving forward

While this Annual Report focuses on the 2019 calendar year, I would be remiss not to mention COVID-19. The pandemic which is taking hold on our continent is challenging, but I believe that working together we will overcome it. We can, we are, and we must continue to develop and invest in projects, supporting the continent's recovery. Africa50 remains fully operational and stands in complete solidarity with all African nations, our stakeholders and our partners around the world during these uncertain times.

After over three years as CEO of Africa50, I am still struck by how prescient African heads of state were several years ago when they called for innovative solutions to accelerate infrastructure delivery, which led to the founding of Africa50. The current pandemic underlines once again the urgency of improving Africa's infrastructure so that our people can lead productive, happy, and healthy lives. With the help of the African Development Bank, one of our founding shareholders, whose President, Dr. Akinwumi Adesina, is Chairman of our Board, Africa50 is making progress towards fulfilling this promise.

Over the past year, with a full complement of staff, an expanded Board, and 31 supportive shareholders, our portfolio grew from four to ten investments and our project pipeline also grew substantially. While we are still focused on the continent's most pressing need, power generation, our ICT investment in Kigali Innovation City has moved into the early implementation stage. In addition, our growing project pipeline now includes projects in nearly all of our priority sectors. In 2019 we signed development agreements for and publicly announced two of them – the Two Congo Rail-Road Bridge and the Kenya Power Transmission Lines. Connecting Africa via roads, transmission lines, and internet services is paramount for its development.

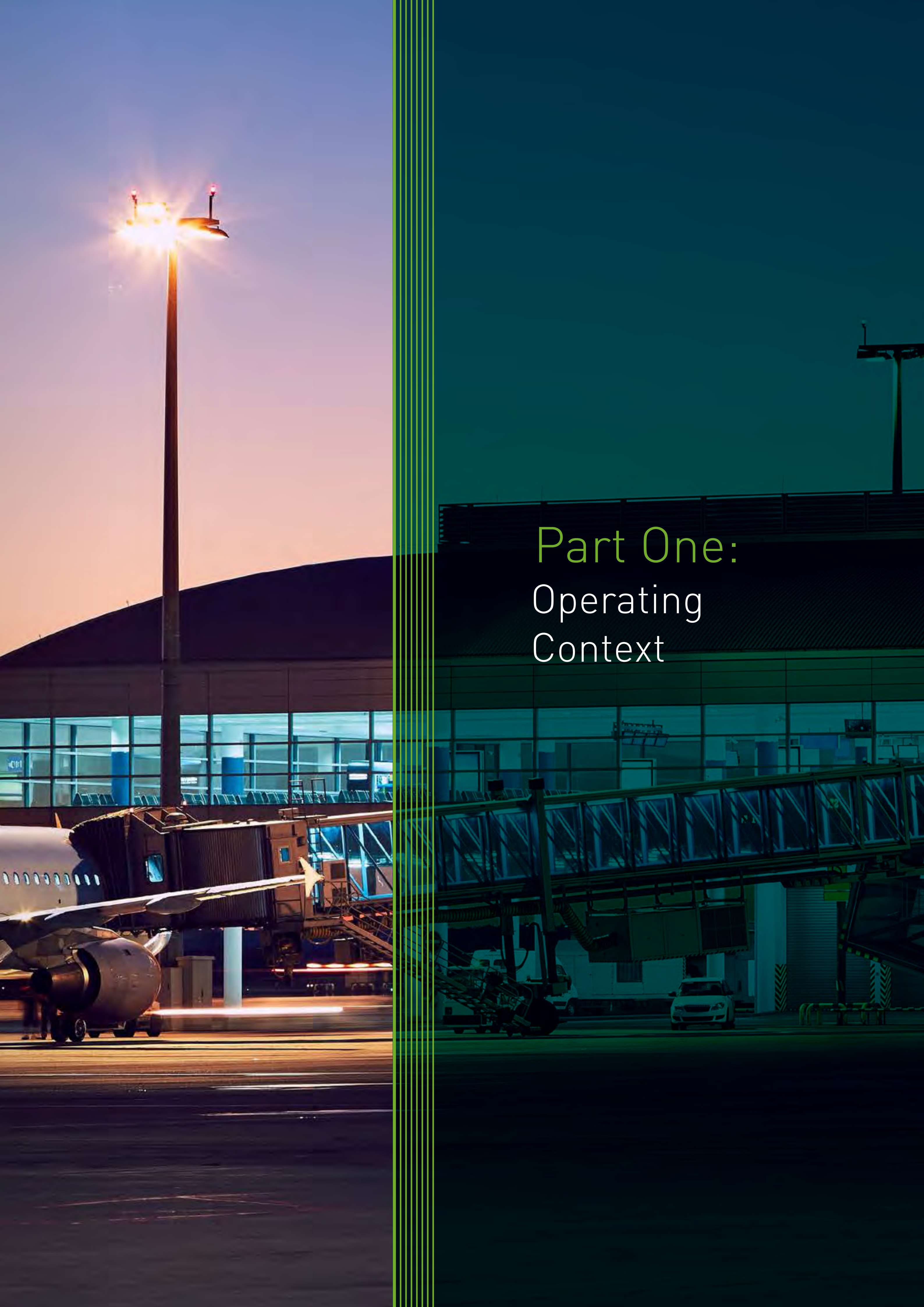
The second half of 2019 was a particularly active period, with new investments in Ghana, Madagascar, Nigeria, Rwanda and Senegal. Our first investment in Madagascar, is for the development of the 120 MW Volobe hydropower plant. It is a welcome addition to our growing portfolio of clean power generation projects, which include the Scatec Solar plants in Egypt, all six of which are now operational; and the Nachtigal Hydropower plant currently under construction in Cameroon. Both projects, along with the Malicounda thermal power plant in Senegal, were successfully co-developed by Africa50 - Project Development and sold to Africa50 - Project Finance, and we anticipate that the Volobe project will progress to that point also.

While our priority is electricity generation from renewable resources, we recognize the continued need for thermal power plants, with a strong preference for gas, a relatively clean fuel. Last year we completed our investment in the 120 MW Malicounda fuel oil plant in Senegal which is designed to be converted to gas. We also invested in Azura-Edo IPP, a Nigerian independent power producer that has been generating 461 MW of electricity through an open cycle gas turbine power station, and in Genser Energy in Ghana to finance its expansion and construction of more gas pipelines. Midstream gas infrastructure is one of the missing links in Africa's energy future and therefore one of our priority sectors. In Senegal, we invested in the 115 MW Tobene power plant, the first asset of the Melec PowerGen (MPG) power generation platform.

Apart from moving ahead with Kigali Innovation City, we are working to catalyse more private investment into ICT. To this end we launched our first Innovation Challenge in May 2019 at the Transform Africa Summit in Kigali, to find solutions for last-mile internet connectivity on the continent. The response has been overwhelming, demonstrating the depth of the pool of innovators working to transform Africa. We look forward to seeing the winning solutions implemented over the short to medium term, first in Rwanda and then across the continent.

While our continent's needs are great, they also present valuable business opportunities if we can properly prepare projects that attract investors. The demand for infrastructure in Africa is growing for a good reason – prior to COVID-19, the continent was growing economically using its ample human and natural resources. Regional and international links are expanding, the digital divide is narrowing, and governance and the business climate are improving. COVID-19 will hopefully be no more than a bump in the road if we work together to successfully implement recovery programs. Africa50 stands ready to contribute to these efforts by developing and investing in the infrastructure that the continent needs to get its economies back on track after the pandemic, and to assure a brighter future for all Africans.

Alain Ebobissé



Part One: Operating Context

PART ONE: OPERATING CONTEXT

1.1 Global Overview

Global Economic Outlook

Global growth was expected to recover to 2.5% in 2020 - up slightly from the post-financial crisis low of 2.4% in 2019.[2] This has been untracked by the COVID-19 pandemic which, as of April 2020, is projected to lead to a global contraction of 3%.[3] Three other trends – sharply increased debt worldwide, a deceleration of productivity growth, and mounting trade tensions – further complicate the growth scenario.

Pre-COVID 19, emerging market and developing economies were projected to grow more rapidly in 2020 (4.1% versus 3.5% in 2019), based on recovery in several large states. However, for many, growth was projected to decelerate based on weak exports and investment. Per capita growth would also have advanced at a pace too slow to meet poverty eradication goals. COVID-19 is leading to further deterioration of almost all indicators.

Global Infrastructure Trends

While there is consensus that increasing the quality of infrastructure is crucial for economic growth, most countries continue to underinvest in it. Worldwide infrastructure investment is expected to be US$79 trillion by 2040, or about US$4 trillion a year. However, the need is about US$97 trillion, leaving a US$18 trillion gap. Most of this is for roads and electricity and will necessitate an increase of 23% a year.[4]

Infrastructure investment largely tracks and influences macroeconomic trends, although regions vary widely in their needs, priorities, and available resources. Seen globally, several trends are emerging:[5]

- Civil society is demanding that governments build not just infrastructure, but **the right kind of environmentally friendly infrastructure**, from green power plants to public transport.
- Concern is rising that **infrastructure must be resilient and safe**. For example, assurance that power lines will not cause wildfires, that bridges and dikes will not collapse, and that there will be no internet data breaches.

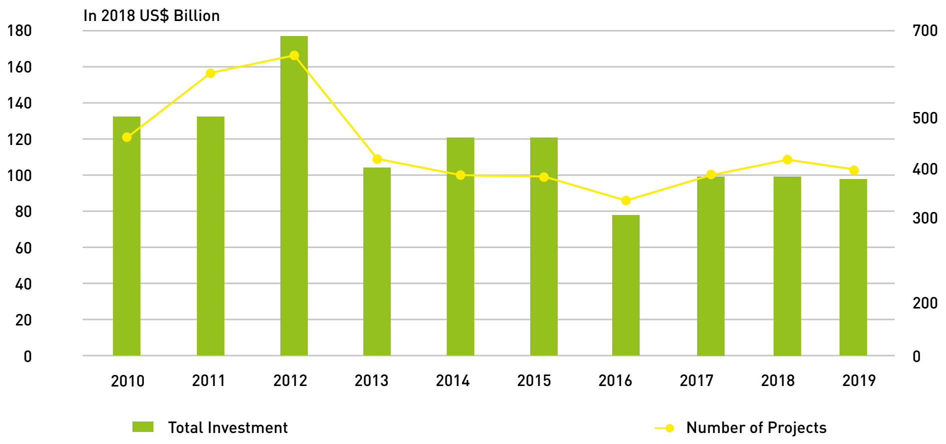
[2] *Macro data and projections from World Bank, 2020 Global Economic Prospects*
[3] *IMF, World Economic Outlook, April 2020*
[4] *Global Infrastructure Hub/WEF*
[5] *Adapted from KPMG report "Emerging Trends in Infrastructure"*

- **The types, perception, and management of risk are changing,** with new sets of cyber and technology risks, political and social risks, and funding and financing risks.
- **Capital is moving to where the profit margins are greater** and adjusted for risk. As markets in the West continue to turn inward, Asia's markets, led by China and India, are turning outward.
- **Corporations are embracing sustainability and decarbonization,** reducing their carbon footprint across the supply chain, using sustainable energy, and shedding non-ESG compliant assets.
- **Government services and infrastructure are becoming increasingly decentralized.** Examples are the sharing economy, the circular economy (waste practices), and the green economy (off-grid electricity).
- **Emerging markets are embracing private capital** for infrastructure investment. Governments realize they cannot meet the needs alone and are updating legislation to encourage private investment in infrastructure.
- **Infratech is booming and moving to emerging markets,** led by China and India. There are tech hubs in Malaysia, Nigeria and Kenya, Smart Cities in Indonesia and Saudi Arabia, and new digital services across Africa.
- **Smaller projects are gaining favour** as they are more likely to avoid delays, cost-overruns and disruption. Consumers want projects that solve their problems faster and can adapt to changing demand and technology.
- **Big data is changing in the way infrastructure is planned, delivered, operated and maintained.** It is enhancing public consultations, needs prediction, operational efficiency, and strategic planning.

Private Participation in Infrastructure[6]

Most governments, especially in developing countries, do not have enough funds to cover all their infrastructure needs, so private investment is essential. In 2019, private investment commitments in infrastructure (energy, transport, ICT, water, and municipal solid waste) in Emerging Markets and Developing Economies (EMDEs) totalled US$96.7 billion across 409 projects in 62 countries. This is a decrease of 3% from 2018 and 7% below the five-year average of US$103.5 billion.

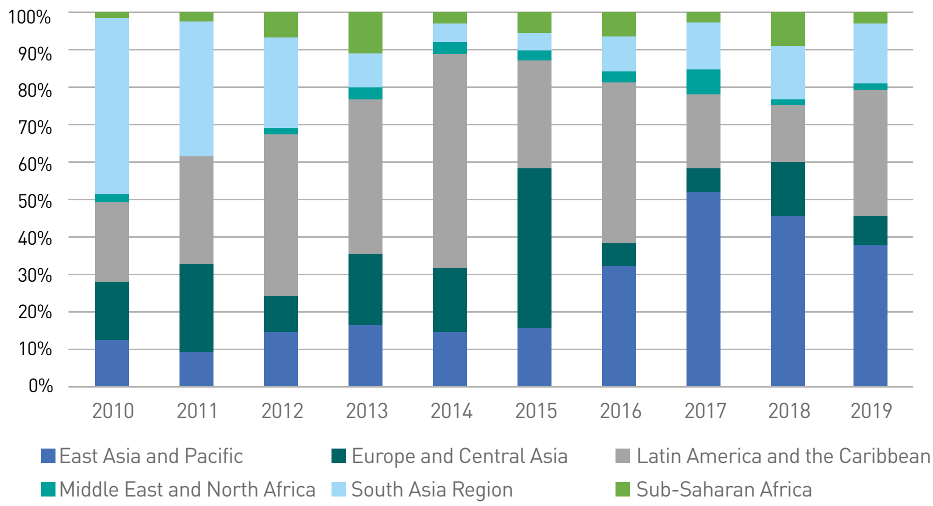
Figure 1.1: Investment Commitments in Infrastructure with Private Participation in EMDEs, 2010-2019



The share of infrastructure commitments with private participation in EMDEs by region has varied widely, although Latin America and Asia generally command the largest shares.

[6] *All data and graphs from 2019 World Bank Private Participation in Infrastructure report. Investments either partially or wholly privately funded.*

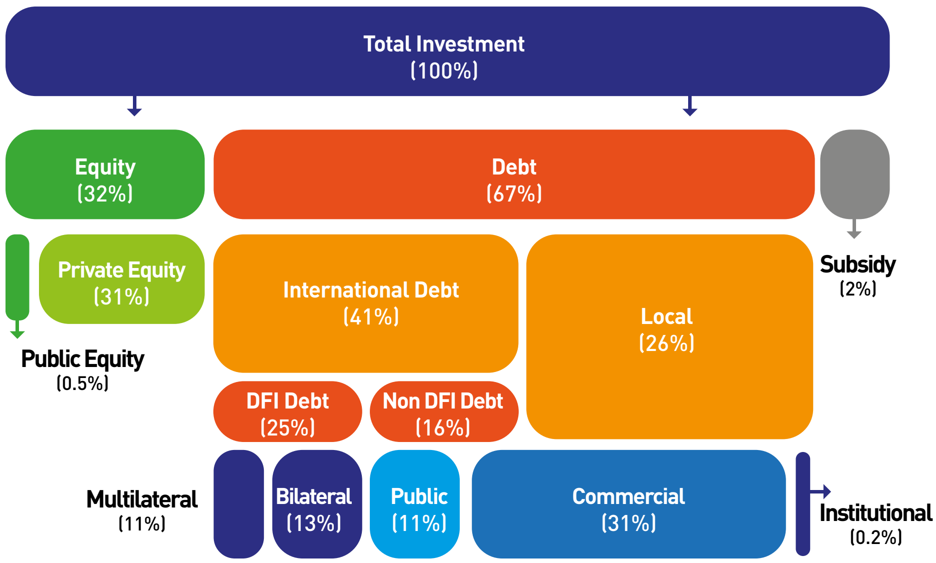
Figure 1.2: Regional Share of Infrastructure Investment Commitments with Private Participation in EMDEs, 2009-2018



In 2019, the transport sector continued to outpace the energy sector, attracting US$47.8 billion across 123 projects, half of global 2019 PPI investments. The energy sector received US$40.1 billion across 169 projects, accounting for 41%. Solid waste received US$4.7 billion across 64 projects and the water sector attracted US$4.0 billion over 51 projects.[7] Of the 150 electricity generation projects, 136 were in renewables (62% of investment volume), with solar dominating.

About 40% of the projects (55% of the total investment value) were funded by non-domestic entities, mostly in the energy sector. Debt and equity funding maintained their traditional ratio, with debt accounting for two-thirds.

Figure 1.3: Sources of Financing for Infrastructure Projects with Private Participation in EMDEs in 2019



[7] *ICT numbers are low for technical accounting reasons*

1.2 African Context

African Economic Outlook[8]

Economic growth in Africa was estimated at 3.4% in 2019, about the same as in 2018, but below the 10-year average of 5%. Growth was affected by global trade tensions, extreme weather, and falling commodity prices, with significant country and regional differences. Five of the continent's largest economies - Nigeria, South Africa, Egypt, Morocco, and Algeria - grew at an average of only 3.1%, compared to 4% percent for the rest of the continent and 5% in East Africa, the leading region.

Prior to the COVID-19 pandemic, growth was forecast to rise to 3.9% in 2020 and 4.1% in 2021. Analysis of COVID-19's economic impact as of April finds that growth in 2020 could be cut by 3 - 8 percentage points, depending on the extent of infection in Africa and worldwide. Barring a major fiscal stimulus, this will lead to a continent-wide recession in 2020.[9]

This is unfortunate since the growth fundamentals in 2019 had improved. For the first time in a decade, investment expenditure accounted for a larger share of GDP growth (more the half) than consumption. Net exports were also stronger, especially among oil exporters after a temporary price recovery.

Macroeconomic stability had also improved, with inflation falling two points to 9.2% and the average deficit to GDP ratio falling from 5.9% in 2017 to 4.8% in 2019. Public debt levels, however, continued to grow, with the median debt-to-GDP ratio rising to 56% in 2018 from 38% ten years earlier. COVID-19 is likely to further raise debt levels and negate some of the other macroeconomic gains. Moreover, although many countries have experienced strong growth, relatively few have seen significant declines in extreme poverty and inequality.[10]

[8] *Data AfDB, 2020 African Economic Outlook, except where noted*
[9] *McKinsey, Tackling COVID-19 in Africa*
[10] *AfDB, 2020 AEO*

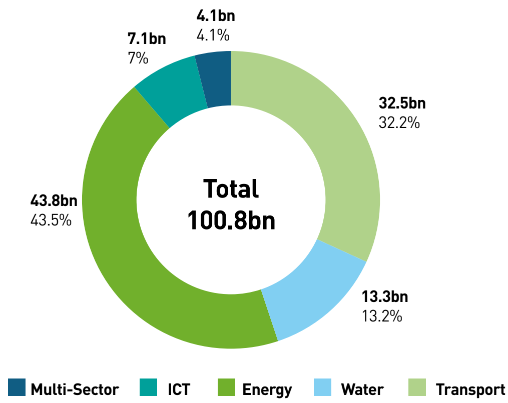
African Infrastructure Trends

Infrastructure trends in Africa through 2018 remain positive. The Infrastructure Consortium for Africa (ICA) reports that total commitments for African infrastructure amounted to US$100.8 billion, an increase of 24% over 2017 and 33% over the 2015-2017 average.[11] While this is the first time that the level of commitments has passed US$100 billion, close to half of the increase (US$9.5 billion) resulted from the inclusion of stand-alone commitments made by the private sector, in addition to their participation in PPPs. The remainder comes mostly from China (US$6.3 billion) and African governments (US$3.2 billion).

The African Development Bank estimates that Africa needs infrastructure financing of US$130-170 billion a year, so even the significant increase in 2018, which results in an average level of commitments of slightly above US$83 billion for the 2016- 2018 period, leaves a financing gap of US$53-$93 billion per year.[12]

Investment in all sectors grew in 2018, with transport accounting for US$32.5 billion, (5% higher than the 2015-2017 average), and energy US$43.8 billion, (67% above the average for 2015-2017), the highest ever. Water and sanitation investment grew by 21% to US$13.3 billion, and ICT more than doubled to US$7.1 billion.[13]

igure 1.4: Commitments by sector (ICA)

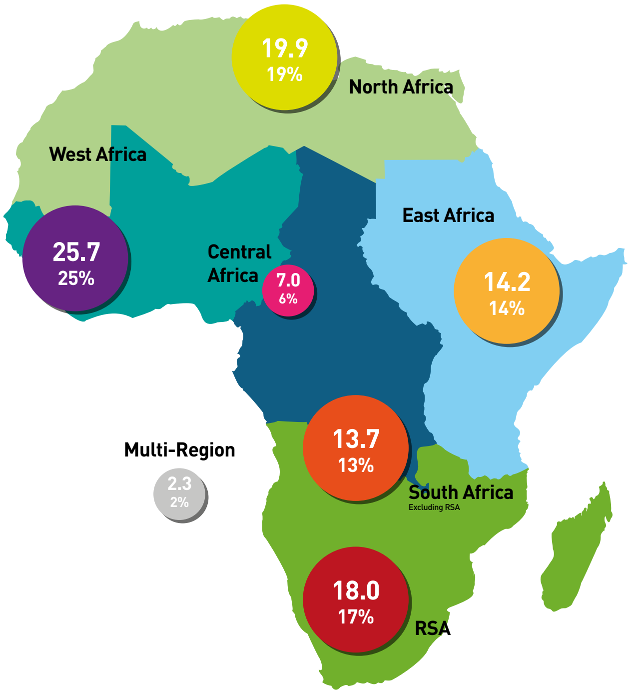


All monetary figures in US$

Commitments by region were relatively balanced, except for Central Africa, which received only 8% of the total. Regional projects, so important for implementation of the African Continental Free Trade Area, also lagged, with only 2% of commitments.

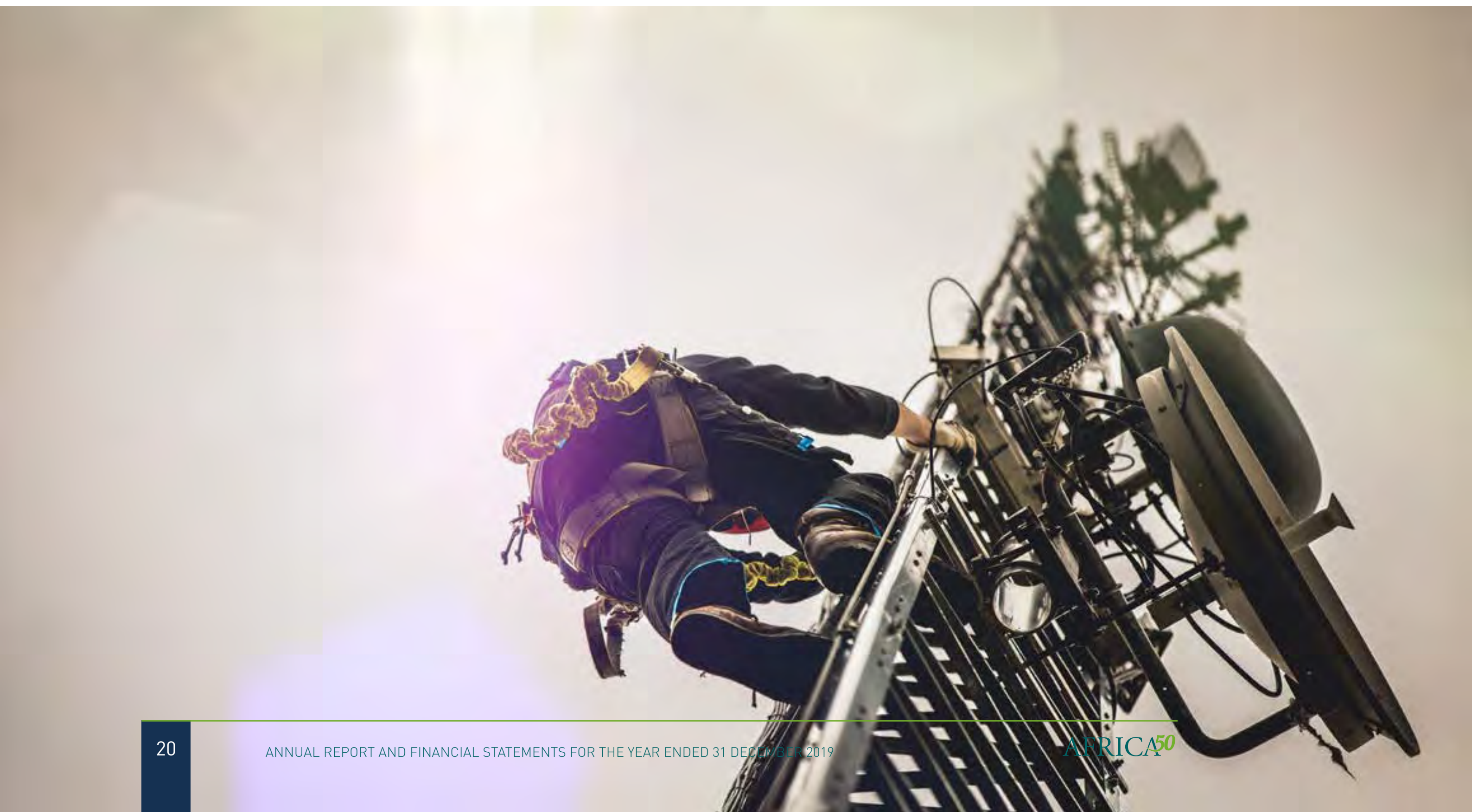
[11] *ICA, Infrastructure Financing Trends in Africa, 2018 (the latest available statistics)*
[12] *AfDB, 2019 African Economic Outlook*
[13] *ICA, Infrastructure Financing Trends in Africa, 2018*

Figure 1.5: Commitments by region (ICA)



African governments continued to be the largest source of funding with US$37.5 billion, followed by China with US$25.6 billion and ICA members[14] with US$20.2 billion. The private sector share of US$11.8 billion was significantly higher than in previous years due to the new accounting procedure. (Note: The World Bank PPI database, which does not include North Africa in the Africa count, lists US$7.7 billion in private infrastructure financing in 2018. Of private sector financing, 53% was in energy, 41% in ICT, 4% in transport, and 2% in water.)

[14] *ICA is the Infrastructure Consortium for Africa. Members are G8 countries, South Africa, several African institutions (including AfDB and the African Union), several United Nations entities (including the UN Economic Commission for Africa), World Bank, International Finance Corporation, European Commission, European Investment Bank, and Islamic Investment Bank.*



1.3 Making Trade Work for Africa

Africa50 Annual Reports serve not only to review our performance, but also to highlight sectors or trends that we believe are important for Africa's future. This year we briefly review the progress of the African Continental Free Trade Area, attracting local and institutional investment, and infrastructure asset recycling. We also take a more in depth look at hydropower (see Part Four).

The African Continental Free Trade Area (AfCFTA), which entered into force in June 2019, should lead to the creation of a single continental market of more than 1.3 billion people, with a combined annual output of US$2.2 trillion. It should boost African economies by promoting diversification and intra-African trade and foster a more competitive manufacturing sector. The transition phase alone could generate welfare gains of US$16.1 billion and boost intra-African trade by 33%.[15]

The treaty includes protocols on trade in goods and services, dispute settlement, investment, intellectual property, and movement of persons. A key element is defining and efficiently implementing rules of origin which, among other things, affect the choice of production inputs of goods eligible for preferential treatment.

The success of the AfCFTA depends not just on tariff liberalization and rules of origin; it also requires customs cooperation, transit and trade facilitation, the elimination of non-tariff barriers, and the freer movement of labour. The latter could help overcome local skill and capacity gaps, leading to higher productivity.[16] Overall, the AfCFTA should lead to a significant expansion of trade if production capacities, as well as transport, power, and ICT infrastructure are improved.

The AfCFTA can leverage the dynamism of the continent as a whole. With several fast-growing economies, a rising middle class, and a young, dynamic population, Africa could nearly double its manufacturing output, from US$500 billion in 2016 to US$930 billion by 2025. Three quarters of this could come from meeting domestic demand, mostly in food, beverages and other processed goods.[17] This could buffer the continent from rising anti-globalization sentiment and trade tensions. Diversification into value-added consumer goods can also balance the dependence on commodity exports and unilateral trade preferences in key markets, lessening external shocks. And finally, the AfCFTA should promote broader regional integration, with benefits from economies of scale, to shared infrastructure in sectors such as water, transport, and power generation.

Although the growth effects of trade liberalization are small in the short- to medium-term, there are other benefits, such as export diversification, which can help catalyse structural transformation.[18] This generates more sustainable growth, while a larger regional market should attract more foreign direct investors. Coupled with industrial policies such as developing special economic zones, tech incubators, transport corridors and hubs, and skills enhancement programs, this can make up for what is usually slow implementation of trade agreement protocols.[19]

In summary, the AfCFTA is a great opportunity to redirect Africa away from a reliance on donors, foreign creditors, and commodities, toward cooperation and integration, and thus sustainable economic growth.

[15] *UNCTAD, Economic Development in Africa Report, 2019*
[16] *AfDB, Africa Economic Outlook, 2020*
[17] *McKinsey Global Institute, 2016*
[18] *UNECA, 2018*
[19] *UNCTAD, 2018*

1.4 Attracting Local and Institutional Investment

The wide infrastructure financing gap in Africa highlights both the scarcity and the necessity of private sector funding. Efforts to increase public sector funds available for infrastructure through tax and subsidy reform and improved regulation and governance are necessary but not sufficient. Sovereign deficits and debt levels are growing at an unsustainable pace, often due to pressing infrastructure investments. We must find ways to channel local and international savings, especially from institutional investors, into infrastructure.

A necessary step is to deepen local capital markets, which are the largest source of infrastructure financing in many developed countries and provide opportunities for institutional investors. Most African capital markets remain underdeveloped, with low liquidity and limited stock exchanges.[20] However, this is improving at the local level through mobile banking and at the regional level through the growth of pan-African banking groups. Development finance institutions (DFIs) are contributing by capitalizing local banks and by providing risk guarantees and blended finance.

Governments can help by improving the regulatory environment to increase the liquidity and capitalization of stock exchanges. This includes harmonizing and strengthening disclosure rules, accounting standards, and contract enforcement to boost investor confidence. Stock exchanges should be modernized, adopting recent technological innovations - which should be easier in Africa where there are fewer legacy systems in place. To increase trading volume, companies should be encouraged to hold initial public offerings (IPOs) and governments to use IPOs to privatize state firms. Incentives can be provided for smaller companies to list on exchanges and for the public to increase retail investing. In addition, pension plans, insurance policies, and mutual funds can be reformed to increase institutional demand for investments and improve savings rates.[21]

Expanding local capital markets is a prerequisite for many institutional investors to invest in infrastructure. It is a good investment vehicle for them since the deal sizes are large enough, have low correlation with equities and bonds, and can provide an attractive long-term return to match their liabilities. However, in some jurisdictions institutional investors require a domestic AAA rating for portfolio holdings, which most infrastructure projects in Africa cannot achieve. This impedes investments that do not carry a guarantee by a government or a DFI. Such guarantees can come in many forms, including revenue guarantees, credit guarantees on debt instruments, or export credit guarantees.[22]

In addition to preferring projects whose risks are underwritten, institutional investors favour projects that are already in operation, including assets that governments sell to raise funds for the development of new assets (a form of "asset recycling"). This allows institutional investors to enjoy a steady yield with less risk. Alternatively, governments and DFIs can create structures to securitize infrastructure assets, allowing the pooling and sale of future cash flows from a group of similar assets. This could be done through collateralized bond or loan obligations and would contribute to establishing infrastructure as an asset class. All of this would be facilitated by well-functioning, liquid local capital markets.[23]

[20] *PwC Africa Capital Market Watch, 2018*
[21] *Recommendations from a Citibank report*
[22] *OECD, Infrastructure Financing Instruments and Incentives, 2015*
[23] *OECD, Capital market instruments to mobilize institutional investors to infrastructure and SME financing in Emerging Market Economies*

1.5 Recycling Infrastructure Assets

Infrastructure asset recycling by governments involves monetizing existing infrastructure assets through sale, lease or concession to the private sector, followed by investing in new infrastructure using the proceeds. It can provide needed infrastructure without adding to public debt, while potentially improving public services.

In asset recycling, private investors pay governments a fair price to acquire ownership or a fixed-period concession for publicly owned infrastructure. The investor maintains and operates the asset(s) in exchange for revenues from user fees or payments from the government. Asset recycling or its adjunct, asset refinancing, can fit into investors' asset allocation strategies and provide attractive risk-return ratios, while allowing governments to free up capital for additional infrastructure projects.

In view of the additional demand that COVID-19 is likely to place on government budgets, a variation of the traditional asset recycling model could be to split the freed-up capital between funding general needs and providing new infrastructure to support economic recovery. By buying brownfield assets, investors avoid the construction risk of greenfield projects and can focus immediately on improving operations. The assets that are most sought after for recycling are those with established revenue streams, such as power plants, toll roads and bridges, airports, ports, fibre-optic networks, pipelines, and utilities.

Asset recycling requires much of the same due diligence as greenfield investing. The most important step is in-depth consultation with the government and relevant stakeholders. Investors must find a balance between risk allocation to the commercial private entities and the government. Once assets are private, they may not have the same protection as when they were public. There may also be resistance to privatization or concession of assets from the general public, the work force, politicians, or non-governmental organizations (NGOs).

For their part, governments must determine which assets are best to recycle or are no longer needed to be held by the government, and provide details on the terms, manage public perceptions on privatization, and make sure investors behave responsibly.

Institutional investors interested in acquiring brownfield assets to limit risks and ensure steady revenues may first engage in asset refinancing - acquiring senior debt of operating projects – before they consider asset recycling. However, the investment vehicles for refinancing operating projects, such as project bonds or infrastructure debt funds, are lacking in many African countries, so governments and regulatory authorities need to create the enabling environment to encourage development of such vehicles. In the meantime, DFIs and other financiers can make provisions for capital market refinancing for new infrastructure projects at financial close, which can concurrently lower the overall cost of financing. As capital markets mature, there will be increased recycling of capital through project lifecycles between investors with differing risk and return targets.

(For examples of asset recycling/ refinancing by Africa50 see Part Three on Room2Run)

Part Two:

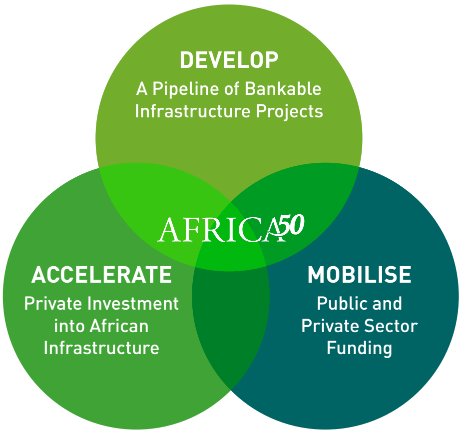
Africa50

Vision Statement

By 2030 Africa50 is a leading infrastructure investment platform with all African governments as shareholders. It accelerates delivery of critical private projects and Public Private Partnerships and mobilizes significant capital globally. In doing so, it positively impacts the lives of millions of Africans. Africa50 is the partner of choice for governments and private investors and attracts distinguished and talented professionals who are passionate about making a difference on the continent.

PART TWO: AFRICA50

2.1 Strategic Pillars and Value Proposition



Africa50 - Project Development develops a pipeline of investment-ready projects

Africa50 - Project Finance invests equity and quasi-equity alongside strategic partners

Africa50 mobilizes public and private sector funding from within and outside Africa

Africa50's core value proposition:

- An experienced investment team with a track record of deal-making.
- Close relationships with our shareholders to help overcome project development hurdles.
- Priority access to deal flow from project development work and dialogue with shareholders.
- Jurisdiction-specific risk mitigation through high-level public sector engagement.
- Access to competitive finance, including long-term debt from the African Development Bank and other DFIs.
- Commitment to following internationally recognized environmental, social, and governance standards.
- A private sector approach to decision-making and execution.

Africa50 can mobilize private capital by:

- Acting as a bridge between its government shareholders and private investors.
- Developing the investment-ready, bankable projects investors seek.
- Leveraging its equity investments to access debt financing.
- Convincing institutional investors about the advantages of investing in African infrastructure.

2.3 Priority Sectors

Africa50 prioritizes investment in the power, ICT, transport, and midstream gas sectors.

POWER

Electricity powers industrialization and economic growth

ICT

Internet and communications facilitate innovation and service delivery

TRANSPORT

Transport links people, local and international markets

MIDSTREAM GAS

Natural gas serves as an industrial feedstock and provides power

2.3 ESG Standards and Development Impact

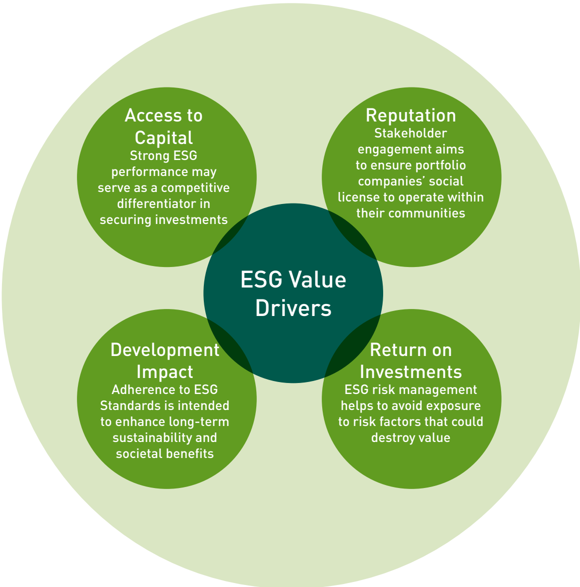
By investing in infrastructure, Africa50 aims to promote sustainable economic growth and job creation and to improve the lives of people on the continent, while preserving natural resources for future generations and creating value for shareholders. We believe that a strong Environmental, Social and Governance (ESG) proposition creates value by laying the foundation for sustainable investing, continued government and community support, and access to investment capital and world-class partners, which will better position Africa50 for long-term profitability and impact.

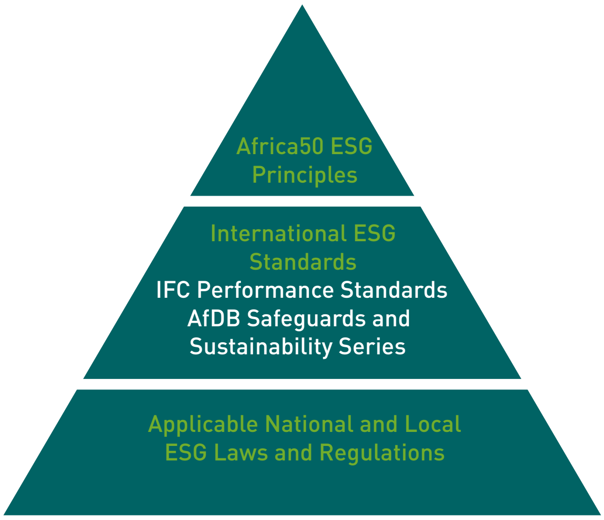
Our ESG Strategy and ESG Policy were approved by the Africa50 Board of Directors in 2019 and the Environmental and Social Management System (ESMS) is ready for implementation in 2020. Dedicated ESG resources are in place to oversee the policy, the ESMS implementation, and the embedding of ESG culture throughout the organization, and will report periodically on the ESG performance and compliance of our projects.

Our ESG Policy is based on a reference framework of internationally and nationally accepted principles, guidelines, and good practice standards. Africa50, the lead sponsors it partners with, and the underlying portfolio companies are expected to act in accordance with the following reference framework:

- Applicable national and local ESG laws and regulations;
- International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability; and
- The African Development Bank Safeguards and Sustainability Series (in some cases).

Africa50's view of ESG Value Drivers





Africa50 ESG Principles

In addition to complying with the relevant international and local standards, Africa50 commits to the following set of guiding principles:

- Support a precautionary approach to environmental challenges;
- Inspire the efficient use of energy and natural resources to reduce climate change and the depletion of resources, including forests and water;
- Encourage the reduction of greenhouse gas emissions in its operations and in those of its portfolio companies;
- Avoid or minimize adverse impacts on human health and the environment;
- Support and respect the protection of internationally proclaimed human rights;
- Support and respect fair labour and working conditions;
- Protect the health and safety of workers, surrounding communities and customers;
- Adopt high standards of professional conduct and excellence;
- Exhibit honesty, integrity, fairness and respect in all its dealings; and
- Enhance the good reputation of Africa50.

2.4 Enterprise Risk Management

In 2018, Africa50 further strengthened its corporate governance by establishing an Enterprise Risk and Finance Board Committee responsible for oversight of the enterprise risk management. In October 2019, a Senior Director of Risk, who combines significant experience in African infrastructure with proven risk management, finance, and operational skills, was hired.

The Enterprise Risk and Finance Committee oversaw the development of a risk appetite framework. It meets quarterly to receive reports from management and discuss market, credit, liquidity, funding, concentration, and operational risks. There are no adverse incidents to report for 2019.

2.5 Contributing to International Initiatives

Given the catalytic role of infrastructure, Africa50 cooperates with many African and international organizations that are promoting sustainable development. In particular, through its development and investment activities it works to help its shareholder countries progress toward the UN's Sustainable Development Goals and the African Development Bank's "High 5" development priorities.

The UN's Sustainable Development Goals (SDGs)

The African Development Bank's "High 5" goals to 2025[24]:

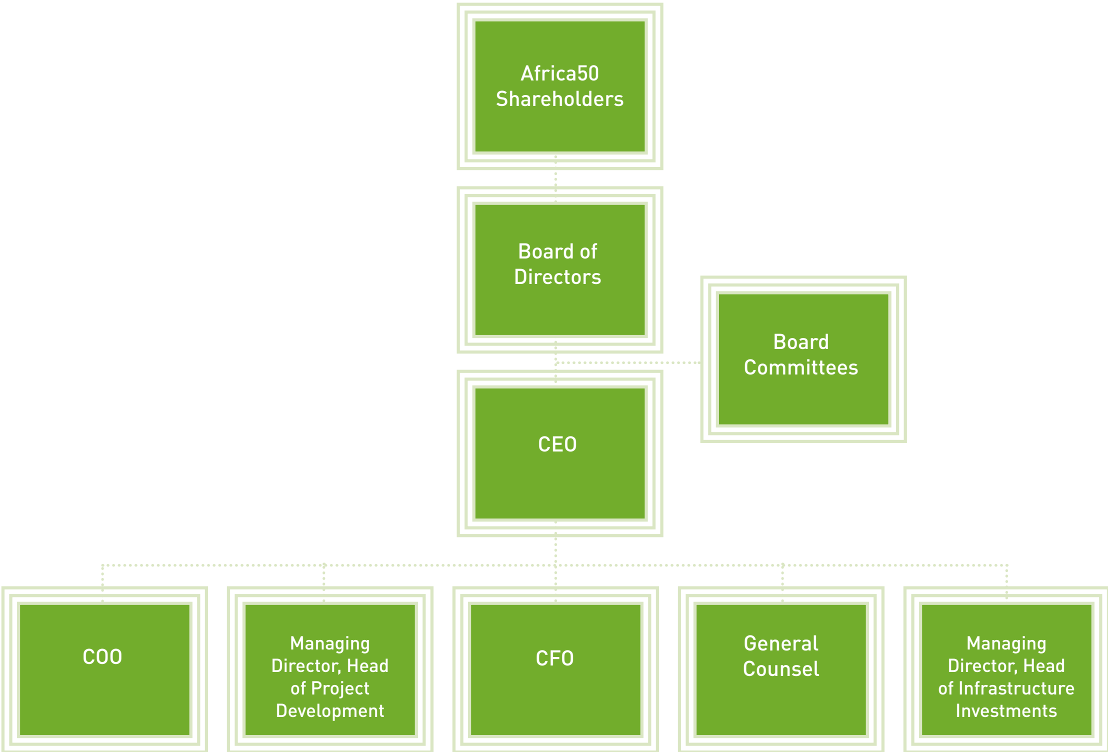
	Priority Area		Goal/Objective 2025
01	Light Up & power Africa		Universal access to Electricity + 162 GW electricity generated + 130 million on-grid connections + 75 million off-grid connections
02	Feed Africa		Agricultural Transformation + 150m people adequately fed + 100m people lifted out of poverty + 190m hectares with restored productivity
03	Industrialise Africa		Economic Diversification + Industrial contribution to GDP increased by 130% + 35 special economic zones supported + 30 PPP's developed & strengthened
04	Integrate Africa		Regional Market + Building regional infrastructure + Boosting intra-African trade & investment + Facilitating movement of people across borders
05	Improve the quality of life for the people of Africa		Access to social & economic opportunities + Creating 80 million jobs + Building critical skills + Improving access to water & sanitation + Strengthening health system

[24] *https://www.afdb.org/en/high5s*

2.6 Operating and Management Structure

Africa50 seeks to ensure the independence and quality of its investments through strong governance and management.

Organizational and Governance Structure



Investment Decision-Making Structure

Prospective deals that Africa50 - Project Development or Africa50 - Project Finance wish to pursue are presented by the relevant investment teams, under the leadership of their respective Managing Directors, to the Investment Committee for approval.

Where Investment Committee approval is obtained at concept stage, the teams carry out detailed analysis, consultations, due diligence missions, and deal structuring, before final approval to invest can be obtained.

The Investment Committee is made up of Africa50's CEO (who chairs the committee) and external independent experts (two of whom are Africa50 Board members) with extensive investment expertise in the priority sectors of Africa50. The Investment Committee members are recruited globally, chosen by the CEO, and presented to the Boards of Directors for approval. The Chair of the Investment Committee provides reports to the Board on the committee's activities, but the Investment Committee is not a committee of the Board

Leadership – Board of Directors

Akinwumi Adesina

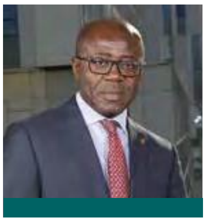
Chairman of the Board and President, African Development Bank

Imoni Akpofure

Director

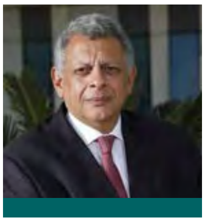
Nouaman Al Aissami

Director



Charles O. Boamah

Director

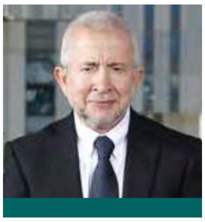


Mohamed Hammam

Director

Monhla Wilma Hlahla

Director



Assaad Jabre

Director

Amadou Kane

Director

Sophie L'Helias

Director

Albert Mugo

Director

Félicité Célestine Omporo-Enouany

Director

Kassimou Abou Kabassi

Director

Senior Leadership Team

Alain Ebobisse

Chief Executive Officer

Carole Wainaina

Chief Operating Officer

Koffi Klousseh

Managing Director, Head of Project Developmen

Raza Hasnani

Managing Director, Head of Infrastructure Investments

Kimberly Heimerl

General Counsel

Eric Ouedraogo

Chief Financial Officer

2.7 Corporate Culture

Making a Difference

We demonstrate our passion for Africa's development in our speech and actions. We defend the interests of our clients, stakeholders and shareholders, intending to leave things better than we found them.

High Performance

We take initiative to achieve and go beyond our corporate objectives, intending that our actions will contribute to increasing Africa50's profitability and development impact. We champion innovative processes and best practices to enhance the speed of execution and efficiency, leveraging the complimentary skills of our colleagues.

Teamwork

We prioritize team success and empower our colleagues through knowledge sharing and delegation. We share the workload and go beyond our responsibilities when needed, taking ownership and responsibility of our projects and actions. We celebrate diversity and promote cultural sensitivity and empathy.

Continuous Learning and Growth

We display intellectual curiosity to understand our role and markets. We foster effective communication and information sharing. We maximize our capabilities by developing our skills and those of our colleagues.

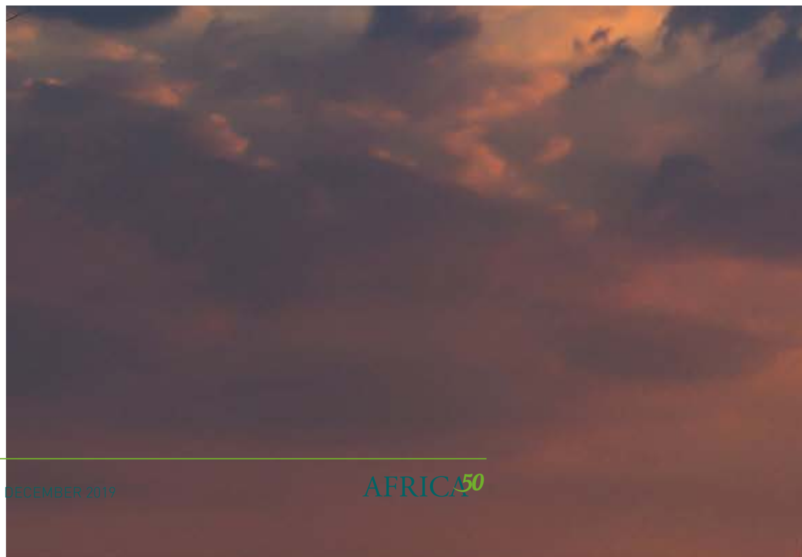
Stewardship of Resources

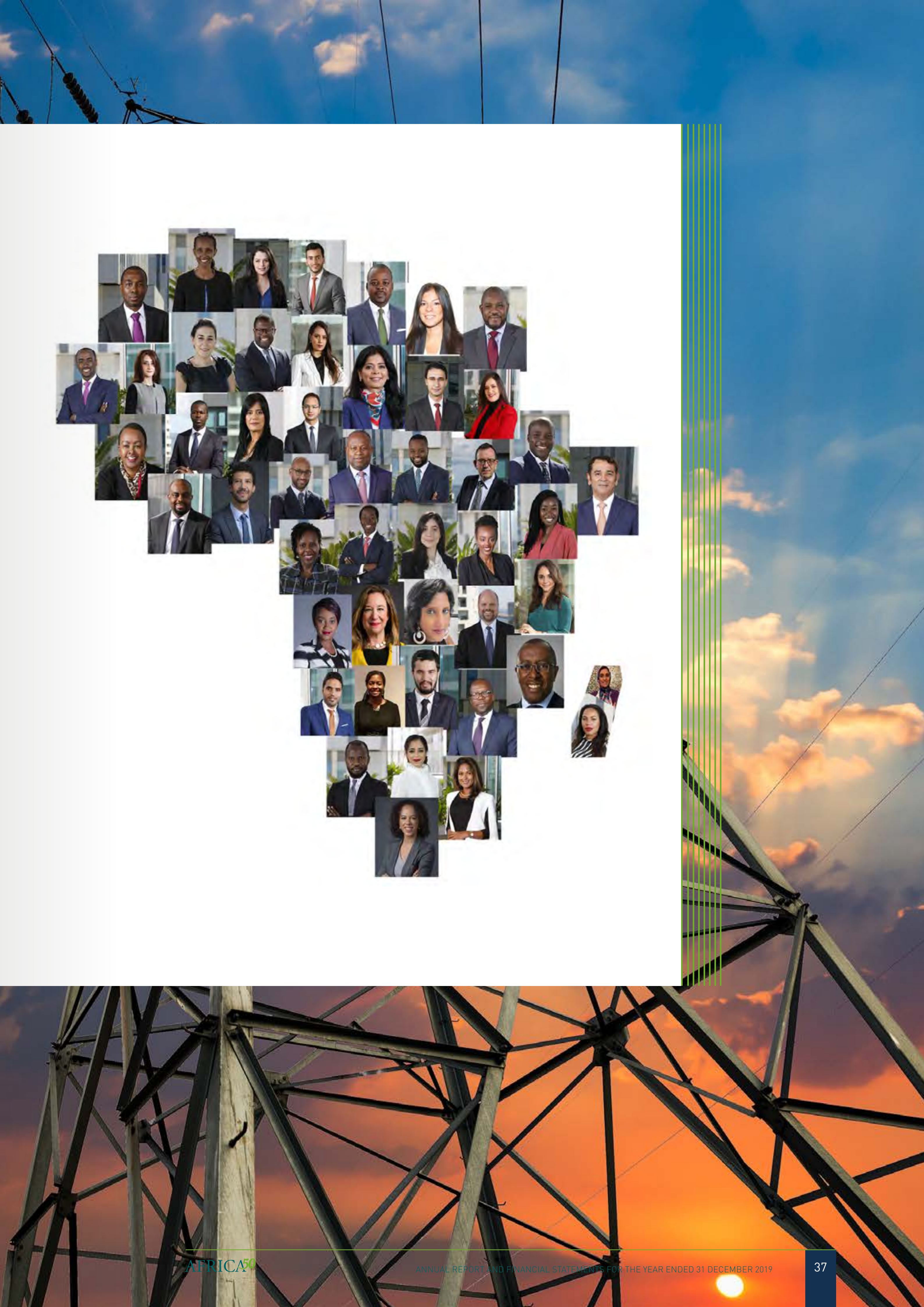
We serve our shareholders and stakeholders with passion and care, deploying our resources in the most efficient and impactful manner. We seek to demonstrate impeccable character through ethical and prudent decision-making. We speak out and dare to question inappropriate practices.

Building the Africa50 Team

The Africa50 team was close to full headcount at the end of December 2019. Investment team hiring, both for Project Development and Project Finance, was completed in 2019 and other positions with critical functions (such as risk and strategy) were filled.

Africa50's staff is characterized by diversity and balance in gender, age, and national origin. Evenly split between male and female, and about a third each in the age groups 20-30, 30-40, and 40-60. National origins are equally diverse, with 22 countries represented including 15 African states (Botswana, Burkina Faso, Cameroon, DR Congo, Eritrea, Gabon, Ghana, Kenya, Morocco, Niger, Nigeria, Rwanda, Senegal, Togo, Uganda) as well as France, Haiti, India, Pakistan, Sri Lanka, UK and the US. Most team members have joined from top private sector firms, while others have experience in development finance institutions and government.





Part Three:

Investment Activities

PART THREE: INVESTMENT ACTIVITIES

3.1 Africa 50 - Project Development

3.1.1 Strategy

- Develop infrastructure projects in shareholder and non-shareholder countries where there is an opportunity to catalyse bankable investments and development impact and ensure alignment between the project and the country's development priorities.
- Leverage government support to lessen implementation risks and delays.
- Engage as an active minority sponsor with strong developers and technical partners to increase the likelihood of effective and efficient project execution.
- Work with other institutions, notably the African Development Bank, for project preparation, guarantees, concessional and commercial funding, transaction support, and public-sector funding.

3.1.2 Structure

- **Model:** Venture capital - funding early-stage risk with the expectation of a return and the right to invest equity at financial close.
- **Subscribed capital:** US$94 788 000
- **Investment size per project:** up to 10% of Africa50 - Project Development's committed capital.

3.2 Africa50 - Project Finance

3.2.1 Strategy

- Invest equity and quasi-equity in private and PPP infrastructure transactions.
- Seek attractive risk-adjusted returns while having a development impact.
- Source projects externally and through Africa50 - Project Development.
- Seek an influential role in the investee companies and create value by exercising this role.
- Catalyse external capital from other commercial investors and institutions to mobilize long-term savings.

3.2.2 Structure

- **Model:** Private equity investment in infrastructure
- **Subscribed capital:** US$782 792 000
- **Investment size per project:** US$20-80 million, but flexible on a case-by case basis (subject to a maximum of 10% of Africa50 - Project Finance's committed capital.

3.3 Investments (as of December 31, 2019)

Africa50 - Project Development (PD) Portfolio Investments

Name	Country	Sector
Kigali Innovation City	Rwanda	ICT
Scatec Nigeria	Nigeria	Power
Volobe	Madagascar	Power

Africa50 - Project Finance (PF) Portfolio Investments

Name	Country	Sector
Azura-Edo	Nigeria	Power
Genser Energy	Ghana	Power / Mid-stream Gas
Malicounda	Senegal	Power
MPG	Senegal	Power
Nachtigal	Cameroon	Power
Room2Run	Pan-African	Multi-sector
Scatec Egypt	Egypt	Power

KIGALI INNOVATION CITY

Africa50 - Project Development

Rwanda

ICT

Kigali Innovation City (KIC) is being developed to be a mixed-use, master-planned, innovation city to be situated on 60 hectares of land in Kigali, Rwanda. KIC will seek to facilitate the development of pan-African talent and act as a technology innovation hub. Its plan includes four universities, office spaces, and start-up business incubators, alongside supporting facilities for retail, hospitality and accommodation.

Africa50 is co-sponsoring the project with the Rwanda Development Board, and the total cost of the project should be approximately US$300 million. The government of Rwanda has agreed to provide the shared infrastructure and the incentives that would enable the ecosystem to thrive. Africa50 will structure the project as a PPP together with a strategic sponsor (to be selected). Other investors could join at a later stage.

This project is currently under development.

Development Impact

- Expected to generate US$150 million in ICT exports annually.
- Should attract over US$300 million in foreign direct investments.
- Projected to create over 50,000 jobs upon completion.
- Over 2,600 students expected to graduate from its universities each year for 30 years, adding to Rwanda's and Africa's pool of tech-savvy entrepreneurs.

Environment

- Expected to incorporate international and local green and sustainable design guidelines.
- Intends to efficiently manage water with the development of a wastewater treatment plant.
- Should include adequate green spaces to help prevent atmospheric damage and excessive heating.

SCATEC NIGERIA

Africa50 - Project Development

Nigeria

POWER

Scatec Nigeria is a ground-mounted 100 MWDC solar power plant to be constructed in Jigawa state on 200 hectares of land. The power is to be evacuated through a dedicated 132 kV overhead transmission line that will connect the plant to the Dutse substation, located 3.7 km northwest of the project site. Africa50 is partnering with Scatec Solar. The project is currently on hold.

Development Impact

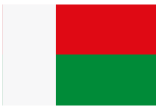
- The plant should generate about 200 GWh of electricity annually, increasing Nigeria's current generation capacity by 2%. This should help alleviate the country's energy deficit.

Environment

- The plant should avoid about 120,000 tons of CO^2 emissions annually and allow businesses to switch from polluting diesel generators to cleaner solar energy. It could also reduce indoor pollution if grid extensions are implemented, enabling households to transition from using firewood and kerosene.
- About 200-300 jobs should be generated during construction and 10-15 during operations.

VOLOBE

Africa50 - Project Development



Madagascar

POWER

Volobe is a 120 MW hydropower plant situated on the Ivondro river, 40 kilometres from Toamasina, Madagascar. It will be operated under a 35-year concession. The project includes the construction of a transmission line, refurbishment of the access road, and infrastructure for the neighbouring villages. Africa50's partners are Jovena (Axian Group), SN Power, and Colas.

Development Impact

- Should provide reliable and affordable baseload electricity to over two million people.
- Should increase the country's electricity generation capacity by approximately 20%.
- Should reduce the cost of electricity to the utility by 10-30%.
- Could save the state-owned utility approximately €100 million.
- The project is expected to create up to 1,000 direct jobs during construction.

Environment

- Should contribute to the country's transition to renewables.
- Project is run-of-river and, therefore, has limited negative environmental impact.
- No species on critical lists on the sites.
- Few households (275) impacted.
- 80% acceptance project rate by the local communities.

AZURA-EDO IPP
Africa50 - Project Finance

Nigeria

POWER

Azura-Edo IPP is the first large privately financed Independent Power Producer (IPP) built in Nigeria since the reform of the country's power sector. It sells power under a 20-year PPA to the Nigerian Bulk Energy Trader (NBET). Phase One of the 461MW open-cycle gas turbine plant was completed seven months ahead of schedule and commenced commercial operation in 2018. Africa50's partners are Actis and Amaya Capital, who are owners alongside Africa50 in the Azura Power platform, the holding company for the Azura-Edo IPP.

Development Impact

- Azura-Edo provides relief to a sector that has suffered from insufficient generation capacity, which causes widespread and regular power outages, forcing millions of people to rely on costly and polluting diesel generators.
- The plant provides power to an estimated 14 million people.
- Azura and its various partners directly employed up to 1,000 people during the construction of the power station, with many jobs being created in and around the communities as a result of more power being available to local businesses and government.

Environment

- The plant provides a cleaner fuel alternative compared to diesel and draws from the country's reserves of natural gas, a clean-burning transition fuel.

GENSER ENERGY

Africa50 - Project Finance

Ghana

POWER

Genser Energy Ghana Ltd is a locally owned IPP that provides captive (localized) power to gold mines in Ghana. The company has built three operational power plants with an aggregate installed capacity of 108 MW, as well as a gas pipeline, and has started construction on two additional plants. Africa50 has invested growth equity into Genser.

Development Impact

- Genser supplies cheaper and more reliable power to mines in Ghana, resulting in significant cost savings for its clients.
- Genser is supporting industries that significantly contribute to national employment (a key client, Gold Fields, employs 2,800+ Ghanaian nationals).
- Genser emphasizes the training and development of local expertise.

Environment

- Genser uses indigenous natural gas and, therefore, provides cleaner energy compared to previous sources of energy used by Genser's customers (mostly thermal and diesel back-up).
- Genser plans on converting its open-cycle turbines to closed-cycle to increase fuel efficiency and reduce greenhouse gas emissions of its plants.

MALICOUNDA

Africa50 - Project Finance

Senegal

POWER

A 120 MW combined cycle thermal power plant at Malicounda, 85 kilometres from Dakar, designed to produce at least 956 GWh a year. It is designed to initially run on fuel oil but is expected to be converted to natural gas when this becomes available from local fields. The electricity generated will be sold under a 20-year PPA and fed into the network through an existing distribution substation. Africa50's partners are Melec PowerGen (MPG) and the state utility, Senelec.

Development Impact

- The plant is expected to increase generating capacity in Senegal by about 17%, while reducing generation costs by about 14%.
- If the savings are passed on to consumers, this could result in a 3-7% fall in tariffs and a 1-3% rise in GDP.
- About 150 jobs should be created during construction.
- The additional energy is expected to increase production in the country, potentially adding up to 76,000 jobs in the long-term.

Environment

- The plant is expected to help satisfy base loads, facilitating the integration of intermittent renewable power into the country's network.
- This type of combined-cycle power plant produces lower output at higher efficiencies (up to 55%), with lower emissions than the older open-cycle plants presently being used, which dissipate as much as 67% of potential power as waste. Emissions are expected to be below IFC guidelines.
- When converted to gas, the plant will form part of the shift of Senegal's energy mix to renewables and natural gas from diesel.

TOBENE POWER
Africa50 - Project Finance

Senegal

POWER

Africa50 has invested, alongside partners, in the 115MW Tobene Power Plant in Senegal. This baseload power plant is Africa50's first investment in the Melec PowerGen platform.

Development Impact

- Tobene Power provides flexible grid-stabilizing baseload generation capacity at competitive tariffs, which helps close the electricity supply gap in Senegal.
- Ongoing operations from Tobene Power provide direct jobs and support additional local employment through increased productivity and purchase of local goods and services.

Environment

- Tobene Power has been designed for conversion to natural gas from local gas fields. This should reduce emissions.

NACHTIGAL

Africa50 - Project Finance

Cameroon

POWER

Nachtigal Amont HPP is a 420 MW hydropower plant located on the Sanaga River, 65 kilometres from Yaoundé, with a 50-kilometer transmission line to Nyom. It is expected to be completed in about five years at a cost of around €1.2 billion and operated under a 35-year concession. The project was developed by Nachtigal Hydro Power Company, whose shareholders are the Republic of Cameroon, Électricité de France, International Finance Corporation, STOA, and Africa50.

Development Impact

- The plant is expected to increase Cameroon's generation capacity by more than 25%, improving access to electricity for consumers.
- The lower prices from hydropower are expected to improve the long-term financial sustainability of the sector, making electricity more accessible for the poor, and potentially saving consumers about US$100 million over seven years.
- It is expected to create up to 1,500 direct jobs during construction (65% locally sourced) and many permanent jobs upon completion.

Environment

- The plant is expected to help raise the share of renewables to 75% by 2022 and avoid one million tons of CO_2 per year.

ROOM2RUN
Africa50 - Project Finance

Room2Run is a Risk Protection Agreement related to a US$1 billion portfolio of seasoned pan-African loans held by the African Development Bank (AfDB). Structured as a synthetic securitization by Mizuho International, it transfers the mezzanine credit risk on a portfolio of 47 AfDB non-sovereign loans in the power, transportation, financial, and manufacturing sectors across Africa. Africa50 invested into Room2Run alongside Mariner Investment Group, a US investment firm.

Development Impact

- Room2Run is a first-of-its-kind solution to help development banks optimize their balance sheets and expand lending capacity, while attracting private capital into developing economies in a commercially viable way.
- AfDB is expected to redeploy its freed-up capital into infrastructure project finance assets, which provide significant capital to both traditional and renewable energy projects.
- Long-term, the increased investment by the private sector stimulated through Room2Run is expected to raise formal employment.

Environment

- AfDB's additional renewable energy projects are expected to lower greenhouse gas emissions across Africa, while increasing energy access.

SCATEC EGYPT

Africa50 - Project Finance

Egypt

POWER

Scatec Egypt is a 400 MWDC portfolio of six utility scale solar power plants, developed under Round 2 of the Egyptian feed-in tariff (FiT) program. The plants are located at the Benban site allocated by the Egyptian government to accommodate 41 FiT projects. The power is sold to the Egyptian Electricity Transmission Company under 25-year power purchase agreements. Africa50's partners are Scatec Solar and Norfund.

Development Impact

- The plants are expected to increase Egypt's generation capacity, helping to address growing demand.
- They are also expected to contribute to reducing dependence on imported oil and gas, thereby improving the country's energy security.
- 1,000 construction jobs and 62 permanent operations jobs are expected to be created.

Environment

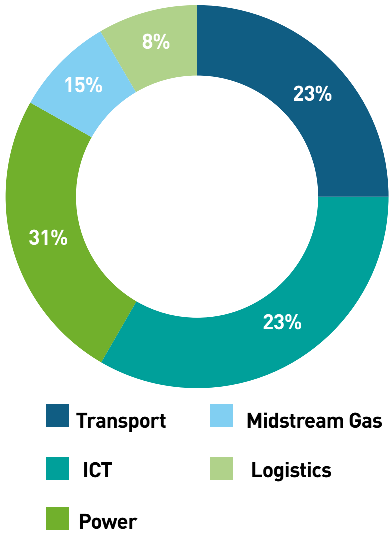
- The production of 870 GWh per year of clean energy is expected to avoid 350,000 tons of CO2 emissions, helping Egypt meet its climate commitments.

Pipeline and Prospective Investments Review[25]

AFRICA50 – PD PROJECT	SECTOR	REGION
Fibre-optic backbone	ICT	West Africa
Toll Road	Transport	West Africa
Airport	Transport	West Africa
Mineral Terminal	Power	West Africa
Transmission	Midstream Gas	East Africa
Merops	Power	East-Africa
Bridge	Transport	Central Africa
Gas Powered Power Plant	Power	Central Africa
Solar	Power	Southern Africa

AFRICA50 – PF PROJECT	SECTOR	REGION
Project Lego	ICT	East Africa
Project Nimbus	ICT	West Africa
Project Gold II	Midstream Gas	West Africa
Project Panamax	Logistics	Pan-African

Africa50 Aggregated Pipeline



[25] *Pipeline and Prospective Investments are investments that either have received initial or final Investment Committee approval, but have not committed, or have not yet received any type of Investment Committee approval*

Pipeline project-related agreements signed and publicly announced

Two Congo Rail-Road Bridge

On 7 November 2019, Africa50 facilitated the signing of the Inter-Governmental Agreement between the Republic of Congo (RC) and the Democratic Republic of Congo (DRC) for the Two Congo Bridge project. Selected as lead developer by the RC and the DRC, Africa50 will work to structure the Public Private Partnership (PPP), lead the project preparation and development phase, and provide equity for construction, alongside the African Development Bank, the principal debt provider, and the Economic Community of Central African Sates (CEEAC). The project, part of the PIDA Priority Action Plan, consists of a 1.575-kilometre toll bridge over the Congo River. It plans to include a single railway track, two road lanes, sidewalks, and border checkpoints.

Kenya Power Transmission Lines

On November 29, Africa50 and Power Grid Corporation of India Ltd (POWERGRID) signed a Cooperation Agreement to develop, finance, construct, and operate power transmission lines in Kenya. The first phase is designed to be a set of pilot projects under a PPP model in line with the Government of Kenya's plans to meet growing electricity demand. POWERGRID's technical and operational expertise in high voltage transmission should complement Africa50's expertise in project development, structuring and financing.

Thirteen pipeline and prospective investments with an aggregate potential equity commitment of around US$200 million

Part Four:

Africa's Future

Investing in Hydropower

PART FOUR: AFRICA'S FUTURE

Enhancing the Attractiveness of Private Investment in Hydropower in Africa

In the past two decades, hydropower development has picked up after a substantial decrease in the 1990s. Although most construction was in Asia, the potential, and need, for hydropower is greatest in Africa. Only about one-third of Africans have access to modern energy, and the population is growing rapidly.[26]

Hydropower is already the most used renewable energy source in Africa (aside from bioenergy). It is attractive because of the large untapped resources and the cost of the electricity generated, which at present is lower than from any other source. The hydropower potential in sub-Saharan Africa in 2018 was estimated at 283 GW, which could generate close to 1,200 TWh per year, about 8% of global hydropower potential. This is more than three times the 2018 electricity consumption in sub-Saharan Africa. More than half of the remaining potential is in Central and East Africa, but there are also significant opportunities in Southern Africa and West Africa.[27]

In 2018, over 1 GW of hydropower capacity was added across the continent, with total installed capacity now exceeding 36 GW. Hydropower already furnishes about 86% of all non-fossil fuel energy in Africa, and installed capacity is expected to grow by about 4,700 MW over the next two to three years.[28]

Large hydropower projects can become an important driver of sustainable economic growth in Africa. With useful lives of more than 50 years, they are an excellent complement to shorter-lived thermal plants and can provide greater and more predictable power than solar and wind, as well as benefits such as flood control, irrigation, and steady water supply. Hydropower plants can also act as "peakers," using their reservoirs to store water and generate electricity at peak hours or when intermittent sources such as solar and wind are not producing.

However, hydropower projects are complex undertakings with a number of constraints and challenges. Contrary to thermal plants, which are standardized and pose few construction risks, hydropower plants are site-specific, with high geological and hydrological risks. When these projects are developed under a PPP framework, these risks need to be shared equitably between private developers, lenders, and utilities, as well as governments, particularly when sovereign guarantees are required. They also

[26] World Bank, Sustainable Energy for All (SE4ALL) database
[27] IEA, African Energy Outlook, 2018
[28] International Hydropower Association, 2019 Hydropower Status Report

generally require significant land area, with commensurate mitigation and compensation for environmental and social impacts. In addition, the construction phase is risky and lengthy and represents a significant project risk.[29] Finally, climate change is increasingly a factor in assessing the risk of hydropower projects.

For these reasons, hydropower requires a long and complex development phase. To be successful, developers must have the requisite experience and a thorough understanding of the challenges and work with equally strong and experienced partners, including construction contractors. This is crucial for minimizing risks to obtain the best possible financing since construction costs are high, with frequent overruns that can represent a big percentage of original estimates.

Challenges to financing hydropower projects

With its relatively low equipment content, hydro offers only limited scope for export credit agency (ECA) financing, which has been an important funding source for thermal projects. Usually the ECA-eligible element will be below one-third of the total project cost. Equity generally will provide funds for an additional one-third. This leaves a large financing gap which is difficult to fill since commercial loans may not be available or be of short tenor and high cost. In most African countries the only way of making up this shortfall is through direct funding, concessional finance, or guarantees by DFIs or bilateral aid agencies.[30]

Many private sector investments in large hydro projects in emerging markets have highlighted the disconnect between the lifespan of hydro plants and the debt maturities that are offered by debt financiers. While plants can be exploited for more than 50 years, debt tenors from DFIs and commercial institutions have rarely been longer than 15-18 years. Therefore, tariffs have been heavily front-end loaded to meet debt service obligations, with debt-equity ratios driven down to preserve higher debt-cover ratios. This has made privately funded hydropower less competitive than many other power sources.

These financing challenges are key constraints that explain the limited number of private sector investments in hydropower in Africa. By contrast, many publicly financed projects have been, and are being, successfully implemented. These often benefit from concessional financing with long maturities, which results in nominally lower tariffs.

Ironically, when debt servicing has been completed, hydropower becomes disproportionately inexpensive, so that other forms of generation, especially when still in their debt service phase, may appear uncompetitive. This can distort perceptions about tariff structures and, in extreme cases, impact the appetite for development of other types of power plants.

[29] WB Discussion Paper #420, Financing of Private Hydro Power Projects, 2000
[30] WB Discussion Paper #420, Financing of Private Hydro Power Projects, 2000

Lengthening loan tenors to make private hydro projects more attractive

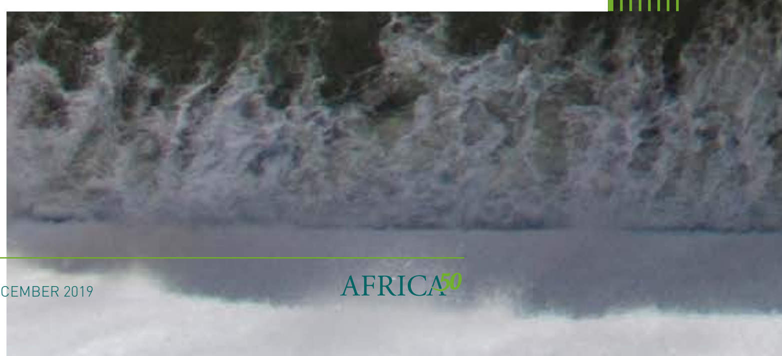
With the growing consensus to increase private sector investments in infrastructure, more efficient financing structures are needed for private investment in hydropower to better align debt maturities with the useful life of plants. Extending loan tenors for private and PPP hydropower projects from the typical 15-18 years to 25-30 years would enhance the attractiveness of such projects for all stakeholders, since it would lower generation costs and end-user tariffs. Longer loan tenors would also allow higher debt to equity ratios that would provide room for further tariff reductions. Africa50 estimates that, under this financing framework, tariffs for hydropower could decrease by approximately 20%. For a hydropower project with project costs of approximately US$500 million, this could represent US$20 million in annual savings for the first 10-15 years of operations.

One way to convince lenders to extend loan tenors is through increased risk mitigation by DFIs, including partial risk or credit guarantees. Many DFIs operating in Africa are familiar with the structures that have been used to extend debt maturities in project finance transactions, particularly for local currency funding. It is possible to build on these or design new ones that would enable maturity extensions to the required 25- to 30-year range.

Some of the new approaches may require crowding-in institutional investors with long-term investment horizons and appetite for infrastructure assets, as well as deepening local capital markets to enable the issuance of long-term securities to fund these projects.

This will require cooperation by all hydropower stakeholders. Governments should foster regulatory environments that are responsive to the needs of hydropower investors. This includes granting longer term concessions and power purchase agreements with credible off-takers, and assuming certain project risks. They should also ensure that projects offered to private investors have been adequately prepared based upon detailed technical studies and a clear contractual framework. For their part, private sponsors, investors, and lenders should accept longer-term commitments.

All this is possible and can be done. Africa50, with its substantial project development experience, can help implement these structures, working closely with the African Development Bank, which can take the lead in arranging project debt financings and the required credit enhancement instruments with the features described. This could secure the much-needed longer debt maturities to generate reliable and affordable electricity to power homes and industries.



Part Five:
Audited Financials

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AFRICA50 - PROJECT DEVELOPMENT

INDEPENDENT AUDITORS' REPORT AFRICA 50 - PROJECT DEVELOPMENT
Year ended December 31, 2019

Africa 50 - Project Development
Tour Ivoire 3 - Marina de Casablanca - Boulevard
des Almohades - 20000 Casablanca - Morocco
This report contains 32 pages
reg 4 Reference : VF-20-02-98

Société anonyme d'expertise
comptable et de commissariat
aux comptes à directoire et
conseil de surveillance.
Inscrite au Tableau de l'Ordre
à Paris sous le n° 14-30080101
et à la Compagnie Régionale
des Commissaires aux Comptes
de Versailles.

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AFRICA50 – PROJECT DEVELOPMENT

Registered office : Tour Ivoire 3 - Marina de Casablanca - Boulevard des Almohades - 20000 Casablanca - Morocco

INDEPENDENT AUDITORS' REPORT AFRICA 50 - PROJECT DEVELOPMENT
Year ended December 31, 2019

Opinion

We have audited the accompanying financial statements of Africa50 – Project Development ("the Entity") which comprise the balance sheet as at December 31, 2019 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information as set out in notes. These accounts were approved by the Board of Directors on 30 June 2020 on the basis of the evidence available on that date in an evolving context of the health crisis linked to Covid-19.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements based on International Standards on Auditing, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Africa 50 – Project Development Annual Report, but 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 and will not express any form of assurance conclusion thereon.

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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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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, management is responsible for assessing the Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 judgment and maintain professional scepticism 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 entity's internal control.

INDEPENDENT AUDITORS' REPORT AFRICA 50 - PROJECT DEVELOPMENT (Continued)

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
— Conclude on the appropriateness of management's 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 Entity' 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 Entity to cease to continue as a going concern.
— 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 those charged with governance 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.

Paris La Défense, June 30th 2020
KPMG S.A.

Valéry Foussé
Partner

AFRICA50 - PROJECT DEVELOPMENT

Financial statements

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Notes	31 December 2019 USD	31 December 2018 USD
Income			
Revenues from projects sold	16	**2,450,588**	5,126,400
Cost of projects sold	16	**(769,657)**	(627,941)
Interest/Dividend income	17	**495**	0
Depreciation on loans		**0**	
Unrealized gain/Loss on foreign currency		**6,405**	0
Unrealized gain/Loss on financial assets at fair value through profit and loss		**6**	
Total income		**1,687,837**	4,498,459
Expense			
Expenses on projects	19	**2,479,467**	767,928
Salaries and benefits	20	**4,936,876**	4,091,923
Other expenses	20	**3,995,023**	3,975,816
Total expenses		**11,411,366**	8,835,667
Operating profit		**(9,723,528)**	(4,337,208)
Finance cost	18	**(67,514)**	(9,251)
Finance income	18	**532,483**	223,601
Financial profit		**464,968**	214,351
Profit for the year		**(9,258,560)**	(4,122,857)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(9,258,560)**	(4,122,857)

The accompanying notes 1 to 22 form part of these financial statements.

Statement of financial position
As at 31 December 2019

ASSETS	Notes	2019 USD	2018 USD
Non-current assets			
Financial assets at fair value through profit or loss	7	**706**	0
Various creditors	8	**22,475,166**	19,480,781
Capitalized projects	9	**961,907**	571,478
Loans and receivables	10	**741,222**	0
Other receivables		**495**	
Total non-current assets		**24,179,496**	20,052,259
Current assets			
Cash and cash equivalents	11	**3,042,528**	3,012,316
Total current assets		**3,042,528**	3,012,316
TOTAL ASSETS		**27,222,024**	23,064,575

EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Paid-up capital	12	**40,462,196**	24,463,495
Total comprehensive income for the year		**(9,258,560)**	(4,122,857)
Reserves and retained earnings		**(4,234,145)**	(111,288)
Total capital and reserves		**26,969,491**	20,229,350
LIABILITIES			
Current liabilities			
Account payables	13	**2,433**	35,608
Other payables	14	**250,100**	2,799,617
Total current liabilities		**252,533**	2,835,225
TOTAL EQUITY AND LIABILITIES		**27,222,024**	23,064,575

The accompanying notes 1 to 22 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Paid-up capital USD	Reserves and retained earnings USD	Total equity USD
As at 1 January 2018	**23,582,971**	**(111,288)**	**23,471,683**
Total comprehensive income for the year		(4,122,857)	(4,122,857)
Net increase in paid-up capital	880,524		880,524
Balance at 31 December 2018	**24,463,495**	**(4,234,145)**	**20,229,350**
Total comprehensive income for the year		(9,258,560)	(9,258,560)
Net increase in paid-up capital	15,998,700		15,998,700
Balance at 31 December 2019	**40,462,196**	**(13,492,705)**	**26,969,491**

The accompanying notes 1 to 22 form part of these financial statements.

Statement of cash flows
For the year ended 31 December 2019

	2019 USD	2018 USD
Total comprehensive income for the year	**(9,258,560)**	(4,122,857)
Adjustments		
Reconciliation of the revenue to the net resources generated by the operational activities	**(761,039)**	(256,428)
Others	**363,700**	2,250
Net cash used in/from operating activities	**(9,655,899)**	(4,377,035)
Cash flow from investing activities		
Financial investments	**(735,517)**	(1,946)
Change in other receivables and payables	**(5,577,072)**	3,527,716
Net cash used in/from investing activities	**(6,312,589)**	3,525,770
Cash flow from financing activities		
Capital subscription	**15,998,700**	880,525
Net cash generated from financing activities	**15,998,700**	880,525
Net change in cash and cash equivalents	**30,212**	29,260
Cash and cash equivalents at start of year	**3,012,316**	2,983,056
Cash and cash equivalents at end of year	**3,042,528**	3,012,316

The accompanying notes 1 to 22 form part of these financial statements.

AFRICA 50 – PROJECT DEVELOPMENT NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. PURPOSES, OPERATIONS AND ORGANIZATION

Africa 50 – Project Development is an international organization and special status financial company, with its headquarters in Casablanca (Morocco), with authorized share capital of 500,000,000 USD and subscribed common stock of 94,788,000USD.

Africa50 – PD's organizational purposes include the following:

a) Identify and develop Infrastructure companies, assets, ventures, and projects to support sustainable economic development in Africa, both nationally and regionally, by investing capital in the early stages of the project development cycle up to financial close (or mobilization of long-term funding) and temporarily beyond such milestone and thereby attract and channel new sources of capital for financing infrastructure in Africa;

b) To promote Infrastructure development within Africa, with funding derived from diverse sources, including equity subscriptions, borrowings and grants from African and non-African sources;

c) To mobilize the necessary political and regulatory support to effect reforms needed to ensure the operational, financial and economic viability of investments and reduce the risk of delays in developing and implementing projects;

d) To make Infrastructure Investments, including:

   i) In association with multilateral, bilateral, public or private investors or financiers, to assist in financing the construction, rehabilitation, improvement, expansion, or acquisition of financially and economically viable Infrastructure- related, Infrastructure-mobilizing and Infrastructure-enabling companies, assets, ventures, and projects by making investments in debt or equity, with or without guarantee of repayment by the government or the State in which the investment is made;

   ii) To carry on business as a financier, alone or in cooperation with any other financial institution, through the provision of loans, guarantees, equity, quasi- equity, or other forms of financial assistance; and

   iii) f) To provide resources to finance the cost of developing Infrastructure-related, Infrastructure-mobilizing and Infrastructure-enabling companies, assets, ventures, and projects in Africa to a stage where multilateral, public or private investors can invest in such projects;

e) To provide financial advisory services, in connection with potential investments;

f) Identify and hire qualified experts (including in the fields of engineering, finance, economics, law, environmental and social) toward the end of collaborating with African governments and private investors to shorten the project development cycle and maximize projects' chances of success;

g) To enter into any agreement or arrangement with any government, municipal or local authority or any other entity which is conducive to Africa50 realizing any activity relating to its organizational purposes; to obtain from any such authority or entity any rights, privileges and exemptions that Africa50 deems desirable; and to carry out, exercise and comply with any such arrangements, rights, privileges and exemptions;
h) To provide technical assistance and advisory services for the study, preparation and implementation of Infrastructure-related, Infrastructure-mobilizing and Infrastructure- enabling companies, assets, ventures, and projects involving Infrastructure physically located in Africa or substantially benefitting Africa;
i) To apply earnings to defray the costs of pursuing organizational purposes, to fund reserves and to distribute dividends;
j) To borrow or raise money, to issue securities, bonds, notes, mortgages and other instruments and to provide guarantees;
k) To hold investments of every kind and description (including investments in securities, shares, and notes);
l) To pay distributions on Africa50 shares;
m) To retain and apply earnings to the organizational purposes of Africa50;
n) To obtain any administrative or legislative act or effect any modification of these Articles that assists Africa50 in carrying out its organizational purposes and to oppose any proposals or proceedings that may directly or indirectly prejudice Africa50's interests; and
o) To carry on any business related directly or indirectly to any of the aforementioned operations, for the purpose of facilitating, promoting and developing Africa50's activity.

2. BASIS OF PREPARATION

These financial statements are the only financial statements presented by the Company and are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost, except for the financial assets at fair value through profit or loss which have been measured at fair value.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FOR THE FIRST TIME IN 2019

New standards or interpretations	Date of application
IFRS 16 – Leases	Fiscal years beginning on January 1st, 2019
Interpretation 23 Uncertainty over Income Tax Treatments	Fiscal years beginning on January 1st, 2019
Prepayment Features with Negative Compensation – Amendments to IFRS 9	Fiscal years beginning on January 1st, 2019
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	Fiscal years beginning on January 1st, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	Fiscal years beginning on January 1st, 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	Fiscal years beginning on January 1st, 2019

IFRS 16 Leases

All leases are signed by Africa50 - Project Finance and all accounting entries related to IFRS 16 are done in the Africa50 - Project Finance accounts. A portion of the rent expenses are allocated to Africa50 - PD according to the expense allocation rules between the two entities.

4. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards or interpretations	Date of application
IFRS 17 Insurance Contracts	1 January 2021 (likely to be extended to 1 January 2022)
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

The Company does not expect any material impact on its financial statements when these forthcoming requirements will be mandatory.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for the year presented in these financial statements.

a) Functional and Presentation Currencies

The USD is the currency in which the financial statements are presented. Africa50 - PD conducts its operations in the currencies of its member countries together with Euros and USD.

Income and expenses are translated to USD at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated into USD at rates prevailing at the balance sheet date.

b) Foreign currency translation

Income and expenses are translated to USD at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated into USD at rates prevailing at the balance sheet date.

The rates used for translating currencies into USD at 31 December 2019 and 2018 are reported in Note 21. Non-monetary assets and liabilities are translated into USD at historical rates. Translation differences are included in the determination of net income.

c) Exemption from preparing consolidated financial statements

The Company holds investments for the sole purpose of capital appreciation, investment income (such as dividends, interest or rental income), or both. All the equity investments are measured at fair value (see note 7). According to IFRS 10.27, the Company meets the definition of an investment entity and does not have to consolidate its equity investments. Instead, the equity investments of the Company are subject to the normal rules of IFRS 9 as detailed hereinafter.

d) Financial assets and liabilities

d) 1. Financial assets

The Company's financial assets include financial assets designated at fair value through profit or loss, loans and receivables, cash and cash equivalents and other receivables.

i) Classification

The Company classifies its financial assets and financial liabilities in accordance with IFRS 9. The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows, as detailed hereinafter.

ii) Initial recognition and measurement

All financial assets are recognized initially at fair value plus transactions costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Company commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Debt Instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company may classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows (where those cash flows represent solely payments of principal and interest) are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets (where the assets' cash flows are solely payments of principal and interest) are measured at FVOCI. Movements in the carrying amount are taken through OCI (except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses) are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/

(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

As of and for the year ended December 31, 2019, all the Company debt instruments are measured at amortized costs and presented as "Loans & receivables" in the balance sheet.

The Company has also granted loans to entities that hold investments. Loans that are interest free and repayable on demand are also measured at amortized cost and assessed for impairment at each reporting date.

Equity instruments

The Company measures all of it equity investments at fair value and recognizes the changes of fair value as "Unrealised gain/(loss) on financial assets at fair value through profit or loss" in the statement of profit or loss.

d) 2. Financial liabilities

i). Classification

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

ii). Initial recognition and measurement

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include other payables and account payables.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

d) 3. Subsequent measurement

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

d) 4. Fair value measurement

The Company measures its equity investments at fair value at each reporting date. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's-length transaction on the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Given that the Company is invested in non-listed companies, the fair value is determined by using valuation techniques, such as discounted cash flows, deemed to be appropriate in the circumstances.

d) 5. Determination of fair value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

- **Level 2:** Quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data. Included in this category are instruments that are valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- **Level 3:** Valuation techniques for which significant input is not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. Instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments are included in this category.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

d) 6. Impairment of financial assets

The Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses its judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

d) 7. De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in profit or loss.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

The Company derecognizes a financial liability when its contractual obligation is discharged, cancelled or expired.

d) 8. Offsetting of financial instruments

Financial assets and 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 offset the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when it is permitted under IFRS (e.g., gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss).

e) Expenses

All expenses are recognized in the statement of profit or loss and other comprehensive income on an accrual basis.

f) Cash and cash equivalents

Cash comprises deposits with banks, cash at banks and petty cash. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

g) Segment and geographical information

The area of investment of the Company is limited to Africa.

h) Contingent liabilities

Contingent liabilities are potential liabilities where there is even greater uncertainty, which could include a dependency on events not within Africa50 - PD's control, but where there is a possible obligation. Contingent liabilities are only disclosed and not included within the statement of financial position.

i) Commitments

Commitments represent amounts that Africa50 – PD has contractually committed to pay to third parties, but do not yet represent a charge or asset. This gives an indication of committed future cash flows. Commitments at the year-end do not impact Africa50 – PD's financial results for the year.

j) Provisions

Provisions are recognized when Africa50 - PD has a present obligation of uncertain timing or amount as a result of past events, and it is probable that Africa50 - PD will be required to settle that obligation and a reliable estimate of that obligation can be made. The provisions are measured at the management's best estimate of the amount to settle the obligation at the balance sheet date and are discounted to present value if the effect is material. Changes in provisions are recognized in the statement of comprehensive income.

In the case of financial assets that are not classified at their fair value through profit or loss, Africa50 - PD determines, at the end of each reporting period, whether there are objective indications of a loss of value. If there is a loss of value, financial assets that are carried at amortized cost are revalued at net recoverable amount, and the amount of loss is recognized in net income. Unrealized losses on available- for-sale financial assets are recognized in net income at the time of depreciation.

k) Property plants and equipments

All assets are owned by Africa50 - Project Finance and part of the amortized amounts are allocated to Africa50 - Project Development according to the expense allocation rules between the two entities.

Valuation of financial instruments:

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments that are valued using quoted market prices in an active market for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Unquoted equity investments	2019 USD	2018 USD
At 1 January 2019	**0**	0
Additions	**700**	0
Disposals (at cost)	**0**	0
Fair value movement	**6**	0
At 31 December 2019	**706**	0

Name	Country of Incorporation	Main business	Year end	Direct holding 2019 %	Indirect holding 2019 %	Effective holding and voting power 2019 %	Direct holding 2018 %	Indirect holding 2018 %	Effective holding and voting power 2018 %
CGHV (Volobe)	Madagascar	Hydro Power Project Co.	31-Dec	25	-	25	-	-	-

8 VARIOUS CREDITORS

	2019 USD	2018 USD
Various creditors		
Africa50 - PF	**22,475,166**	19,480,781
	22,475,166	19,480,781

9 CAPITALIZED PROJECTS

	2019			2018
	Opening USD	Movement USD	Closing USD	USD
Capitalized projects expenses	**571,478**	**389,619**	**961,097**	571,478
	571,478	**389,619**	**961,097**	571,478

10 LOANS AND RECEIVABLES

	2019 USD	2018 USD
Non-current		
CGHV (Volobe)	***741,222**	**0**
	741,222	**0**
Current	**0**	**0**
	0	**0**
Total	**741,222**	**0**

Ageing of loans and receivables:

	Provision IFRS 9* 2019 USD	On demand 2019 USD	Within 1 year 2019 USD	Between 1 to 5 years 2019 USD	After 5 years 2019 USD	Total 2019 USD
CGHV (Volobe)	-	-	-	-	741,222	741,222
Total	**0**	**0**	**0**	**0**	**741,222**	**741,222**

	Impaired 2018 USD	On demand 2018 USD	Within 1 year 2018 USD	Between 1 to 5 years 2018 USD	After 5 years 2018 USD	Total 2018 USD
CGHV (Volobe)	-	-	-	-	-	-
Total	**0**	**0**	**0**	**0**	**0**	**0**

*Shareholder loan to CGHV (Volobe)

The project is still under development phase. Therefore, the loan provided falls under project development risk. A provision has been incurred according to the probability of financial close of the project and included in the "Expenses on projects" section of the Statement of Profit or Loss.

11 CASH AND CASH EQUIVALENTS

	2019 USD	2018 USD
Cash and cash equivalents		
Cash equivalents	3,039,756	3,010,065
Accrued interests on cash equivalents	2,277	2,251
	3,042,033	**3,012,316**

12 PAID-UP CAPITAL

The authorized share capital according to Africa50 – PD status is 500,000,000 USD. The subscribed capital is 94,788,000 USD, while the paid-in capital is 40,462,196 USD.

	Class	# of shares as at 31 Dec 2018	# of shares issued in 2019	# of shares as at 31 Dec 2018	Paid-up capital as at 31 Dec 2019
	1				USD
1.African Development Bank	B	14,657	4,267	18,924	8,082,439
2.Bank Al Maghrib	B	2,000	0	2,000	2,000,000
3.BCEAO	B	500	0	500	500,000
4.Benin	A	464	0	464	116,000
5.Burkina Faso	A	299	0	299	74,750
6.Cameroon	A	5,000	0	5,000	1,249,985
7.Congo Brazzaville	A	18,666	0	18,666	4,666,500
8.Djibouti	A	300	0	300	75,000
9.Egypt	A	10,000	0	10,000	7,500,000
10.Gabon	A	866	0	866	216,500
11.Gambia	A	100	0	100	25,000
12.Ghana	A	1,961	0	1,961	490,250
13.Guinea (Conakry)	A	500	0	500	125,000
14.Ivory Coast	A	2,999	0	2,999	749,750
15.Kenya	A	10,000	0	10,000	2,605,323
16.Kingdom of Morocco	A	10,000	0	10,000	7,500,000
17.Madagascar	A	1,000	0	1,000	750,299
18.Malawi	A	200	0	200	50,000
19.Mali	A	203	0	203	50,750
20.Mauritania	A	1,011	0	1,011	252,750
21.Mauritius	A	100	0	100	75,000
22.Niger Republic	A	199	0	199	49,750
23.Nigeria	A	4,000	0	4,000	1,000,000
24.Republic Democratic of Congo	A	200	0	200	100,000
25.Rwanda	A	1,000	0	1,000	500,000
26.Senegal	A	1,000	0	1,000	250,000
27.Sierra Leone	A	200	0	200	50,000
28.Sudan	A	2	0	2	500
29.Togo	A	1,927	0	1,927	481,750
30.Tunisia	A	1,000	0	1,000	749,875
31.Zimbabwe	A	0	167	167	125,025
		90,354	**4,434**	**94,788**	**40,462,196**

13 ACCOUNTS PAYABLES

Accounts payables amount to 2,433 USD and mainly represent trade payables and outstanding invoices as of December 31, 2019. All those liabilities are due within less than one year.

14 OTHER PAYABLES

	2019 USD	2018 USD
Overpayments of share subscription paid by shareholders	**250,100**	2,799,517
African Development Bank	**0**	1,499,343
Madagascar	**250,000**	750,299
Tunisia	**0**	499,875
Republic Democratic of Congo	**0**	50000
Others	**100**	
Total	**250,100**	2,799,517

15 RELATED PARTY TRANSACTIONS

During the year under review, the Company entered into the following related party transactions. Details of the nature, volume of transactions are as follows:

		2019 Net volume of transactions during the year	2019 Balance receivable / payable at 31 Dec
Related party	**Nature**		
Africa50 - PF	Debt - Current account	2,994,385	22,475,166

		2018 Net volume of transactions during the year	2018 Balance receivable / payable at 31 Dec
Related party	**Nature**		
Africa50 - PF	Debt - Current account	(738,942)	19,480,781

16 REVENUES FROM SOLD PROJECT

The Malicounda project was sold to Africa50 – PF for an amount of USD 2,450,588, which represents a margin of USD 1,680,931. Project development costs were USD 769,657.

17 INTEREST/DIVIDEND INCOME

	2019 USD	2018 USD
Interests on projects loans – VOLOBE	**495**	-
	495	-

18 FINANCE INCOME AND COST

Finance income

	2019 USD	2018 USD
Interests on investment securities (term deposits)	**532,483**	223,601
	532,483	223,601

Finance cost

	2019 USD	2018 USD
Gain / loss on foreign currency	**7,930**	(9,251)
Interest on lease	**(75,444)**	
	(67,514)	(9,251)

19 EXPENSES ON PROJECTS

The project expenses correspond to the amounts committed (e.g., for consultants, missions, specialists) during the year for the research and the study of investment projects, whether through equity participation or direct financing.

	2019 USD	2018 USD
Expenses incurred on projects	**2,479,467**	767,928
	2,479,467	767,928

20 ADMNISTRATIVE EXPENSES

The total administrative expenses of Africa50 – PD amount to 8,931,899 USD which includes salaries and benefits for an amount of 4,936,876 USD, and other administrative expenses for an amount of 3,995,023 USD which includes travel, communication, recruiting, Board of Directors' Meetings and General Shareholder Meeting expenses.

Salaries:

Africa50 – PF and Africa50 – PD together have 47 employees as of December 2019 (29 in 2018), of which 14 employees are from Africa50 – PD only (9 in 2018).

Africa50's staff receives a monthly allowance to cover retirement costs and other expenses such as education and life insurance. A healthcare defined contribution insurance plan has been implemented in 2018.

Africa50's staff also benefits from a relocation allowance when appropriate.

21 FINANCIAL RISK MANAGEMENT

Africa50 – PD is a highly selective investor, and each investment is subject to an individual risk assessment through an investment approval process. Africa50 – PD's Investment Committee is part of the overall risk management framework.

Financial instruments carried on the statement of financial position include financial assets at fair value through profit or loss, loans and receivables, capitalized expenses at amortized costs, other receivables, cash and cash equivalents, borrowings and other payables.

Africa50 – PD investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The most common risks to which it is exposed are market risk, credit risk and liquidity risk. Africa50 – PD policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. Africa50 – PD regularly reviews their risk management policies and systems to reflect changes in markets and emerging best practice.

The Board has established an Enterprise Risk Management and Finance Committee, which oversees the risks affecting Africa50 – PD, the main mitigating factors, action taken to reduce these risks, and the policies put in place to cover the main risks.

(a) Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and price risk that will affect the Company's income or the value of its holdings of financial instruments. The Company's strategy on the management of investment risk is driven by the Company's investment objective.

i). Currency risk

Currency risk is the risk that the value of an instrument will fluctuate in USD owing to changes in foreign exchange rates. Africa50 – PD invests in securities denominated in different currencies. Consequently, it is exposed to the risk that the USD may change in a manner which has a material effect on the reported values of its assets which are denominated in these different currencies. Currency exposure and exchange rate movement are monitored and reviewed on a regular basis.

As regard cash accounts, most of the company accounts are in USD.

	Financial assets 2019 USD	Financial assets 2018 USD	Financial liabilities 2019 USD	Financial liabilities 2018 USD
UNITED STATES DOLLARS (USD)				
Other receivables	**495**	0	**0**	0
Account payables	**0**	0	**2,433**	35,608
Other payables	**0**	0	**250,100**	2,799,617
Cash and cash equivalents	**3,042,528**	3,012,316		3,012,316
	3,043,023	3,012,316	**252,533**	5,847,541
EURO (EUR)				
Financial assets at fair value through profit or loss	**706**	0	**0**	-
Loans and receivables	**741,222**	0	**0**	0
	741,928	0	**0**	0
	3,784,951	3,012,316	**252,533**	5,847,541

The % forex as a total of financial assets and financial liabilities are as follows:

	Financial assets 2019 %	Financial assets 2018 %	Financial liabilities 2019 %	Financial liabilities 2018 %
United States dollar	**80.40**	100	**100**	100
Euro	**19.60**	0	**0**	0
	100	**100**	**100**	**100**

The following table indicates the approximate change in the Company's financial assets in response to possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date.

A 10% increase and decrease in the USD against the relevant foreign currencies is the sensitivity rate used when reporting foreign currency risk and represents management's assessment of the reasonably possible change in foreign exchange rates.

A 10% movement in the foreign currency will affect financial assets as follows:

Sensitivity analysis

		Increase / (decrease)	
		2019 USD	2018 USD
EUR	10%	**74,193**	-
	(10.0%)	**(74,193)**	-

ii). Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The income and operating cash flows are substantially independent of changes in market interest rates. The Company's significant interest-bearing financial assets are loans, as detailed in below table. Interest income may fluctuate in amount, in particular due to changes in interest rates.

		2019 USD	2018 USD
	Financial instruments		
Assets			
Loans and receivables	Floating rate	**741,222**	0
Various creditors	Floating rate	**22,475,166**	19,480,781
		23,216,388	19,480,781

		Increase / (decrease)	
		2019 USD	**2018 USD**
Loans and receivables	0.50%	**3,706**	-
	-0.50%	**(3,706)**	-
Cash and cash equivalents	0.50%	**15,213**	15,062
	-0.50%	**(15,213)**	(15,062)
Various creditors	0.50%	**112,376**	97,404
	-0.50%	**(112,376)**	(97,404)

iii). Price risk

Price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The portfolio is reviewed on a regular basis by the Investment Committee to identify and manage the risk associated with particular countries and sectors. Broad sector exposure and country limits are imposed and monitored on a regular basis.

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2019 USD	2018 USD
Assets		
Loans and receivables	**741,222**	0
Financial assets carried at amortized cost		
Capitalized projects	**961,907**	571,478
Cash and cash equivalents	**3,042,528**	3,012,316
Various creditors	**22,475,166***	19,480,781
	27,220,823	23,064,575

**This amounts corresponds to the current account with Africa50 - Project Finance, an entity of the same group.*

Financial assets are not past due. Regarding the Volobe project and as explained in note 10, the project is still under development phase and therefore the shareholder loan to CGHV (Volobe) falls under project development risk. A provision has been incurred according the probability of financial close of the project and included in the "Expenses on projects" section of the Statement of Profit or Loss.

Cash and cash equivalents are maintained with reputable financial institutions. The Risk Committee's policy is to closely monitor the creditworthiness of the Company's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

The following table presents the international rating scales used by Africa50 to evaluate the risk rating of financial institutions:

Risk class	S&P - Fitch	Moody's
Very low risk	A+ and above A A- BBB+ BBB BBB-	A1 and above A2 A3 Baa1 Baa2 Baa3
Low risk	BB+ BB BB-	Ba1 Ba2 Ba3
Moderate risk	B+ B B-	B1 B2 B3
High risk	CCC+ CCC	Caa1 Caa2
Very high risk	CCC- CC C	Caa3 Ca C

The Company's cash balances are held at financial institutions having the following credit ratings.

Financial Institution	2019	2018	Credit ratings	Credit agency		
	USD	USD	2019	2018	2019	2018
BMCE	**3,042,528**	3,012,316	**BB+**	BB+	**Fitch**	Fitch
	3,042,528	3,012,316				

The Company considers credit risk associated with balances held at bank to be very low or low as outlined on the above risk classes.

Exchange rates as at December 31, 2019

The tab below represents the exchange rates as of 31 December 2019:

	2019 USD
MAD	**0.1045**
EUR	**1.1227**
GBP	**1.3267**

22 EVENT AFTER THE REPORTING DATE

The entity's financial statements have been prepared on a going concern basis. Activities began to be affected by COVID-19 in the first quarter of 2020, and the Company expects COVID-19 to have some impact on its financial statements in 2020, but is not able at this stage to assess and quantify it at this time.

On the date of the approval of the financial statements by its board of directors, the management of the Company is not aware of any significant uncertainties which call into question the ability of the entity to pursue its purposes.

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AFRICA50 - PROJECT FINANCE

INDEPENDENT AUDITORS' REPORT AFRICA 50 - PROJECT FINANCE

Year ended December 31, 2019

Africa 50 - Project Finance
Tour Ivoire 3 - Marina de Casablanca - Boulevard des Almohades - 20000 Casablanca - Morocco
This report contains 47 pages
Reference : VF-20-02-99

Société anonyme d'expertise comptable et de commissariat aux comptes à directoire et conseil de surveillance.
Inscrite au Tableau de l'Ordre à Paris sous le n° 14-30080101 et à la Compagnie Régionale des Commissaires aux Comptes de Versailles.

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INDEPENDENT AUDITORS' REPORT AFRICA 50 - PROJECT FINANCE
Year ended December 31, 2019

Opinion

We have audited the accompanying financial statements of Africa 50 – Project Finance *("the Entity")* which comprise the balance sheet as at December 31, 2019 and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information as set out in notes. These accounts were approved by the Board of Directors on 30 June 2020 on the basis of the evidence available on that date in an evolving context of the health crisis linked to Covid-19.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements based on International Standards on Auditing, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Other Information
Management is responsible for the other information. The other information comprises the information included in the Africa 50 – Project Finance Annual Report, but 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 and will not express 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines 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, management is responsible for assessing the Entity'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 management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 judgment and maintain professional scepticism 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Entity' 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 Entity to cease to continue as a going concern.
- 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 those charged with governance 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.

Paris La Défense, June 30th 2020
KPMG S.A.

Valéry Foussé
Partner

AFRICA50
PROJECT FINANCE

Financial statements
As at December 31st 2018 (USD)

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

	Notes	31 December 2019 USD	31 December 2018 USD
Income			
Interest/Dividend income	17	**6,139,852**	1,626,217
Depreciation on loans	17	**(176,052)**	(212,442)
Unrealized gain/(loss) on foreign currency		**(653,944)**	(219,130)
Unrealized gain/(loss) on financial assets at fair value through profit or loss	7	**2,954,405**	(36,535)
Other income	18	**1,299,608**	
Total income		**9,563,868**	1,158,111
Expense			
Expenses on projects	21	**2,580,652**	899,621
Fundraising expenses	9	**196,244**	176,541
Salaries and benefits	22	**4,498,580**	3,164,514
Other expenses	22	**4,028,258**	3,600,488
Total expenses		**11,303,734**	7,841,164
Operating profit		**(1,739,866)**	(6,683,053)
Finance cost	20	**(52,433)**	(6,139)
Finance income	19	**2,070,040**	3,626,939
Financial profit		**2,017,607**	3,620,800
Profit for the year		**277,742**	(3,062,253)
Other comprehensive income		**-**	-
Total comprehensive income for the year		**277,742**	(3,062,253)

The accompanying notes 1 to 24 form part of these financial statements.

Statement of financial position
As at 31 December 2019

	Notes	2019 USD	2018 USD
ASSETS			
Non-current assets			
Financial assets at fair value through profit or loss	7	**103,853,350**	12,296,198
Loans and receivables	8	**93,971,312**	86,221,990
Other receivables (non current)	11	**3,742,078**	983,396
Other non-current assets	9	**4,297,906**	2,279,285
Total non-current assets		**205,864,646**	101,780,869
Current assets			
Other receivables	11	**2,611,029**	1,638,490
Loans and receivables	8	**5,115,000**	8,958,300
Cash and cash equivalents	12	**176,475,470**	127,303,624
Total current assets		**184,201,499**	137,900,414
TOTAL ASSETS		**390,066,145**	239,681,282
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Paid-up capital	13 & 15	**366,421,059**	212,197,862
Total comprehensive income for the year		**277,742**	(3,062,253)
Reserves and retained earnings		**(6,776,632)**	(3,714,379)
Total capital and reserves		**359,922,169**	205,421,230
LIABILITIES			
Non-current liabilities			
Account payables	14	**2,091,364**	-
Total non-current liabilities		**2,091,364**	-
Current liabilities			
Account payables	14	**3,326,696**	3,078,459
Other payables	15	**24,725,916**	31,181,592
Total current liabilities		**28,052,612**	34,260,051
TOTAL EQUITY AND LIABILITIES		**390,066,145**	239,681,282

The accompanying notes 1 to 24 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2019

	Paid-up capital USD	Reserves and retained earnings USD	Total equity USD
As at 1 January 2018	**210,893,904**	**(3,610,317)**	**207,283,587**
Total comprehensive income for the year		(3,062,253)	(3,062,253)
Cumulative IFRS 9 adjustment		(104,063)	(104,063)
Net increase in paid-up capital	1,303,958		1,303,958
Balance at 31 December 2018	**212,197,862**	**(6,776,633)**	**205,421,230**
Total comprehensive income for the year		277,742	277,742
Net increase in paid-up capital	154,223,197		154,223,197
Balance at 31 December 2019	**366,421,059**	**(6,498,891)**	**359,922,169**

The accompanying notes 1 to 24 form part of these financial statements.

Statement of cash flows
For the year ended 31 December 2019

	2019 USD	2018 USD
Total comprehensive income for the year	**277,742**	(3,062,253)
Adjustments		
Unrealized gain/(loss) on financial assets at fair value through profit or loss	**(2,954,405)**	36,535
Provision IFRS9	**176,052**	156,009
Depreciation & amortization of tangible & intangible assets	**564,702**	382,900
Unrealized gain/loss on foreign currency	**653,944**	225,269
Others	**468,947**	222,188
Net cash used in/from operating activities	**(813,018)**	(2,039,352)
Cash flow from investing activities		
Equity investments	**(88,602,749)**	(5,126,400)
Loans and other investment funding	**(7,494,701)**	(95,679,489)
Capitalized projects expenses	**-**	(765,396)
Acquisition of fixed assets	**(2,985,450)**	(1,732,434)
Change in other receivables and payables	**(5,155,433)**	12,729,377
Net cash used in/from investing activities	**(104,238,332)**	(90,574,342)
Cash flow from financing activities		
Capital subscription	**154,223,197**	1,303,958
Net cash generated from financing activities	**154,223,197**	1,303,958
Net change in cash and cash equivalents	**49,171,846**	(91,309,736)
Cash and cash equivalents at start of year	**127,303,624**	218,613,360
Cash and cash equivalents at end of year	**176,475,470**	127,303,624

The accompanying notes 1 to 24 form part of these financial statements.

1. PURPOSE, OPERATIONS AND ORGANIZATION

Africa 50 – Project Finance is an international organization and special status financial company, with its headquarters in Casablanca (Morocco), with authorized share capital of 3,000,000,000 USD and subscribed common stock of 782,792,000 USD.

Africa50 – PF's organizational purposes include:

a) To promote infrastructure development within Africa, with funding derived from diverse sources, including equity subscriptions, borrowings and grants from African and non-African sources;

b) To make infrastructure investments, including:

   i) In association with multilateral, bilateral, public or private investors or financiers, to assist in financing the construction, rehabilitation, improvement, expansion, or acquisition of financially and economically viable infrastructure-related, infrastructure-mobilizing and infrastructure-enabling companies, assets, ventures, and projects by making investments in debt, equity, quasi-equity, guarantees or a combination thereof, with or without guarantee of repayment by the government or the State in which the investment is made;

   ii) To carry on business as a financier, alone or in cooperation with any other financial institution, through the provision of loans, guarantees, equity, quasi-equity, guarantees, or combinations thereof, or other forms of financial assistance; and

   iii) To provide resources to finance the cost of developing infrastructure-related, infrastructure- mobilizing and infrastructure-enabling companies, assets, ventures, and projects in Africa to a stage where multilateral, public or private investors can invest in such projects;

c) To provide financial advisory services, in connection with potential investments;

d) To enter into any agreement or arrangement with any government, municipal or local authority or any other entity which is conducive to Africa50 realizing any activity relating to its organizational purposes; to obtain from any such authority or entity any rights, privileges and exemptions that Africa50 deems desirable; and to carry out, exercise and comply with any such arrangements, rights, privileges and exemptions;

e) To provide technical assistance and advisory services for the study, preparation and implementation of Infrastructure-related, Infrastructure-mobilizing and Infrastructure-enabling companies, assets, ventures, and projects involving Infrastructure physically located in Africa or substantially benefitting Africa;

f) To apply earnings to defray the costs of pursuing organizational purposes, to fund reserves and to distribute dividends;

g) To borrow or raise money, to issue securities, bonds, notes, mortgages and other instruments and to provide guarantees;

h) To hold investments of every kind and description (including investments in securities, shares, and notes);

i) To pay distributions on Africa50 shares;

j) To retain and apply earnings to the organizational purposes of Africa50;

k) To obtain any administrative or legislative act or effect any modification of these Articles that assists Africa50 in carrying out its organizational purposes and to oppose any proposals or proceedings that may directly or indirectly prejudice Africa50's interests; and

l) To carry on any business related directly or indirectly to any of the aforementioned operations, for the purpose of facilitating, promoting and developing Africa50's activity.

2. BASIS OF PREPARATION

These financial statements are the only financial statements presented by the Company and are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

The financial statements are prepared on a going concern basis and presented to the nearest US dollar (USD) unless otherwise stated.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLIED FOR THE FIRST TIME IN 2019

New standards or interpretations	Date of application
IFRS 16 – Leases	Fiscal years beginning on January 1st, 2019
Interpretation 23 Uncertainty over Income Tax Treatments	Fiscal years beginning on January 1st, 2019
Prepayment Features with Negative Compensation – Amendments to IFRS 9	Fiscal years beginning on January 1st, 2019
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	Fiscal years beginning on January 1st, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	Fiscal years beginning on January 1st, 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	Fiscal years beginning on January 1st, 2019

IFRS 16 Leases

The company has adopted IFRS 16 leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are, therefore, recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 5. g) Leases

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5%.

The associated right-of-use assets were measured at the amount equal to the lease liability.

4. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New standards or interpretations	Date of application
IFRS 17 Insurance Contracts	1 January 2021 (likely to be extended to 1 January 2022)
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020
Definition of a Business – Amendments to IFRS 3	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

The company does not expect any material impact on it financial statements when these forthcoming requirements will be mandatory.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently for the year presented in these financial statements.

a) Functional and Presentation Currencies

Africa 50 PF conducts its operations in the currencies of its member countries together with Euros and USD. The USD is also the currency in which the financial statements are presented.

b) Foreign currency translation

Income and expenses are translated to USD at the rates prevailing on the date of the transaction. Monetary assets and liabilities are translated into USD at rates prevailing at the balance sheet date.

The rates used for translating currencies into USD at 31 December 2019 and 2018 are reported in Note 23. Non- monetary assets and liabilities are translated into USD at historical rates. Translation differences are included in the determination of net income

c) Exemption from preparing consolidated financial statements

The Company holds investments for the sole purpose of capital appreciation, investment income (such as dividends, interest or rental income), or both. All the equity investments are measured at fair value (see note 7). According to IFRS 10.27, the Company meet the definition of an investment entity and does not have to consolidate it's equity investments. Instead, the equity investments of the Company are subject to the normal rules of IFRS 9 as detailed hereinafter.

d) Financial assets and liabilities

d) 1. Financial assets

The Company's financial assets include financial assets designated at fair value through profit or loss, loans and receivables, cash and cash equivalents and other receivables.

i) Classification

The Company classifies its financial assets and financial liabilities in accordance with IFRS 9. The Company classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows as detailed hereinafter.

ii) Initial recognition and measurement

All financial assets are recognized initially at fair value plus transactions costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e, the date that the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Debt Instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company may classifies its debt instruments:

Amortized cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

As of and for the year ended December 31, 2019, all the Company debt instruments are measured at amortized costs and presented as "Loans & receivables" in the balance sheet.

The Company has also granted loans to entities that carries projects. Loans that are interest free and repayable on demand are also measured at amortized cost and assessed for impairment at each reporting date.

Equity instruments
The Company measures all of it equity investments at fair value and recognize the changes of fair value as "Unrealised gain/(loss) on financial assets at fair value through profit or loss" in the statement of profit or loss.

d) 2. Financial liabilities

i) classification
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

ii) Initial recognition and measurement
All financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include other payables and account payables.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, as well as through the amortization process.

d) 3. Subsequent measurement
The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

d) 4. Fair value measurement
The Company measures its equity investments at fair value at each reporting date. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. Given that the Company invested in non-listed companies, the fair value is determined by using valuation techniques such as discounted cash flows, deemed to be appropriate in the circumstances.

d) 5. Determination of fair value

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or
In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data. Included in this category are instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques for which significant input is not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. Instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments are included in this category.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

d) 6. Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period.

d) 7. De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in profit or loss.

The Company enters into transactions whereby it transfers assets recognized on its statement of financial position but retains either all or substantially all the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

The Company derecognizes a financial liability when its contractual obligation is discharged, cancelled or expired.

d) 8. Offsetting of financial instruments

Financial assets and 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 offset the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when it is permitted under IFRS, e.g. gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

e) Expenses

All expenses are recognized in the statement of profit or loss and other comprehensive income on an accrual basis.

f) Cash and cash equivalents

Cash comprises of deposits with banks, cash at bank and petty cash.
Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

g) Leases

Africa50 – PF leases its office space. Until the 2018 financial year, those leases were classified as operating leases. From 1 January 2019, these leases are recognized as right-of-use assets and corresponding liabilities at the date at which the leased asset is available for use by the Company

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

i) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
ii) variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
iii) amounts expected to be payable by the Company under residual value guarantees;
iv) the exercise price of a purchase option, if the Company is reasonably certain to exercise that option; and
v) payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
i) the amount of the initial measurement of lease liability;
ii) any lease payments made at or before the commencement date, less any lease incentives received;
iii) any initial direct costs; and
iv) restoration costs.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis.

h) Segment and geographical information

The area of investment of the Company is limited to Africa. Given the current phase of the company, the entire activity is based in Casablanca. A first investment was made through various holding companies for a development project in North Africa in 2017 and a second one was made in West Africa in 2018. Several investments were made in 2019.

i) Contingent liabilities

Contingent liabilities are potential liabilities where there is even greater uncertainty, which could include a dependency on events not within Africa50 - PF's control, but where there is a possible obligation. Contingent liabilities are only disclosed and not included within the statement of financial position.

j) Commitments

Commitments represent amounts Africa50 – PF has contractually committed to pay to third parties but do not yet represent a charge or asset. This gives an indication of committed future cash flows. Commitments at the year-end do not impact Africa50 – PF 's financial results for the year.

k) Provisions

Provisions are recognized when Africa50 - PF has a present obligation of uncertain timing or amount as a result of past events and it is probable that Africa50 - PF will be required to settle that obligation and a reliable estimate of that obligation can be made. The provisions are measured at the Managers' best estimate of the amount to settle the obligation at the balance sheet date and are discounted to present value if the effect is material. Changes in provisions are recognized in the statement of comprehensive income.

In the case of financial assets that are not classified at their fair value through profit or loss, Africa50 - PF determines, at the end of each reporting period, whether there are objective indications of a loss of value. If there is a loss of value, financial assets that are carried at amortized cost are revalued at net recoverable amount and the amount of loss is recognized in net income. Unrealized losses on available-for-sale financial assets, are recognized in net income at the time of depreciation.

l) Property plant and equipment

The depreciation methods and periods used by the Company are disclosed in note 9.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

6. USE OF ESTIMATES AND JUDGEMENTS

Estimates and assumptions

Valuation of financial instruments

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

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in an active market for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Unquoted equity investments	2019 USD	2018 USD
At 1 January	**12,296,197**	7,206,332
Additions	**93,908,980**	5,126,400
Reimbursement of capital	**(5,306,232)**	-
Fair value movement	**2,954,405**	(36,535)
At 31 December	**103,853,350**	12,296,197

All the equity investments of the Company are level 3 in fair value hierarchy.

i) Investments holdings

Name		Country of Incorporation	Main business	Year end	Direct holding 2019 %	Indirect holding 2019 %	Effective holding and voting power 2019 %	Direct holding 2018 %	Indirect holding 2018 %	Effective holding and voting power 2018 %
Infra Holdco 1 (Egypt BV)		Mauritius	Special Purpose Vehicle	31-déc	100	-	100	100	-	100
	Egypt Solar B.V.	Netherlands	Solar Power Project Co.	31-déc	-	25	25	-	25	25
Nachtigal Hydro Power Company		Cameroon	Hydro Power Project Co.	31-déc	15	-	15	15	-	15
Power Holdco 1 (APL)		Mauritius	Special Purpose Vehicle	31-déc	100	-	100	-	-	-
	Azura Power Limited (APL)	Mauritius	Investment platform Power plants	31-déc	-	21	21	-	-	-
Malicounda Power SAS		Senegal	Thermal Power plant	31-déc	30	-	30	-	-	-
Power Holdco 2 (Genser)		Mauritius	Special Purpose Vehicle	31-déc	100	-	100	-	-	-
	*Genser Energy	Ghana	Gas Midstream and Power	31-déc	-	-	-	-	-	-
Power Holdco 3 (APHL)		Mauritius	Special Purpose Vehicle	31-déc	100	-	100	-	-	-
Azura Power Holding Limited (APHL)		Mauritius	Investment platform Power plants	31-déc	-	15	15	-	-	-

*Genser Energy: Preferred shares with veto right and 1 board seat.

ii) Change in fair value

Portfolio of investments:

Opening Cost USD	Additions USD	Reimbursement of Capital USD	Closing USD	Opening (Movement in fair value) USD	Movement (Movement in fair value) USD	Closing (Movement in fair value) USD	Fair Value 2019 USD	2018 USD
12,332,732	93,908,980	(5,306,232)*	100,935,480	(36,535)	2,954,405	2,917,869	103,853,350	12,296,198

*The amount of 5,306,232 is related to a reimbursement of capital.

8. LOANS AND RECEIVABLES

	2019 USD	2018 USD
Non-current		
Infra Holdco 1	**27,766,852**	22,462,610
Nachtigal	**41,234,159**	42,008,717
Room to Run	**17,884,158**	21,750,663
Power Holdco 1	**30,000**	-
Malicounda Power SAS	**7,011,305**	-
Power Holdco 2	**30,000**	-
Power Holdco 3	**14,838**	-
	93,971,312	86,221,990
Current		
Room to Run	**5,115,000**	8,958,300
	5,115,000	8,958,300
Total	**99,086,312**	95,180,290

Ageing of loans and receivables	Provision IFRS 9 2019 USD	On demand 2019 USD	Within 1 year 2019 USD	Between 1 to 5 years 2019 USD	After 5 years 2019 USD	Total 2019 USD
Infra Holdco 1	**(104,063)**	**-**	**1,700,247**	**22,214,704**	**3,955,964**	**27,766,852**
Nachtigal	**(153,133)**	**-**	**-**	**-**	**41,387,292**	**41,234,159**
Room to Run	**-**	**-**	**5,115,000**	**16,413,100**	**1,471,058**	**22,999,158**
Power Holdco 1	**-**	**30,000**	**-**	**-**	**-**	**30,000**
Malicounda Power SAS	**(26,038)**	**-**	**-**	**-**	**7,037,343**	**7,011,305**
Power Holdco 2	**-**	**30,000**	**-**	**-**	**-**	**30,000**
Power Holdco 3	**-**	**14,838**	**-**	**-**	**-**	**14,838**
Total	**(283,234)**	**74,838**	**6,815,247**	**38,627,804**	**53,851,657**	**99,086,312**

Ageing of loans and receivables	Provision IFRS 9 2018 USD	On demand 2018 USD	Within 1 year 2018 USD	Between 1 to 5 years 2018 USD	After 5 years 2018 USD	Total 2018 USD
Infra Holdco 1	(104,063)	-	-	-	22,566,673	22,462,610
Nachtigal	(156,009)	-	-	-	42,164,727	42,008,718
Room to Run	-	-	8,958,300	17,125,700	4,624,963	30,708,963
Power Holdco 1	-	-	-	-	-	-
Malicounda Power SAS	-	-	-	-	-	-
Power Holdco 2	-	-	-	-	-	-
Power Holdco 3	-	-	-	-	-	-
Total	**(260,072)**	**-**	**8,958,300**	**17,125,700**	**69,356,363**	**95,180,290**

Loans and receivables represent loans and debt investments of the Company.

i) Shareholder loan to Egypt Solar B.V. (through Infra HoldCo 1)

This loan is classified as debt instrument and is accounted at amortized cost. IFRS 9 provisioning guidance applies for this operation.

Project status as of 31 December 2019

The country and sector environment have continued to improve:

- The macro environment has continued improving, as noted by the IMF in the July fifth review of Egypt's economic reform program, which allowed the authorities to draw the final US$2 billion tranche of the Extended Fund Facility.
- Economic growth continues to be sustained at 5.6% in 2018/2019 (vs 5.3% in 2017/2018) and inflation decelerated to 9.2% YoY in December 2019 (down from 11.1% in December 2018)
- The government has pushed ahead with power sector reform: tariffs were increased by 15% in July for the 5th consecutive year, keeping the sector on track for full cost recovery by 2021, and the regulations allowing the direct sale by IPPs of renewable energy to high voltage customers were announced for September.

On the project front:

- All six power plants have reached commercial operations without any material delay
- Due to problems in the initial stages, performance has initially been slightly below projections, but is reverting to base case projections; once the issues are fully fixed, the plants are likely to operate above the sponsor base case.

Shareholder loan to Egypt Solar B.V. (through Infra HoldCo 1)

The shareholder loan was classified as "Performing loan" (bucket 1). Africa50 applies a definition of default which is consistent with the definition used for internal credit risk management purposes under IFRS 9. It considers qualitative factors (for example, financial covenants), where appropriate.

Regarding shareholder loans, Africa50 considers that the 90-day past due delay on interest (rebuttable presumption for a default) is not an objective indicator of default, as these instruments are structured so that interest is either paid or capitalized.

The Africa50 investment division assesses any potential credit risk through a set of quantitative and qualitative indicators, such as significant construction cost overruns or delays, operational underperformance, increase in financing costs or taxation, which are likely to prevent the shareholder loan from being repaid in full, along with capitalized interest, by the end of the project (as determined by the concession agreement or similar agreements).

Impairment

Based on Moody's research on the default of infrastructure projects, the provision was calculated based on a probability of default and a recovery rate, corresponding to the historical average for "greenfield" projects in emerging markets exclusive, of EEA or OECD members.

This resulted in a provision amounting to 104 063 USD of the shareholder loan principal in 2019.

ii) Shareholder loan to Nachtigal Hydro Power Company (NHPC)

This loan is classified as a debt instrument and is accounted at amortized cost. IFRS 9 applies for this operation. Project status as of 31 December 2019 Africa50 - PF considered the Project "on track" and classified the shareholder loan as a "performing loan" (Bucket 1).

- The project reached financial close on 24 December 2018, and construction started at the end of January 2019, with the first drawdown on the senior debt. Construction is ongoing with no issues identified
- A second loan drawdown occurred in May 2019. Africa50 – PF fully disbursed its shareholder loan in the amount of approximately EUR 37 million in December 2018. Africa50 has one board member and participated in two board meetings in 2019. The next Board meeting is scheduled for March 2020. Africa50 - PF is also represented on the company Audit Committee.

Shareholder loan to NHPC

Africa50 applies a definition of default that is consistent with the IFRS 9 definition used for internal credit risk management purposes. It considers qualitative factors (for example, financial covenants), where appropriate. Regarding infrastructure projects, Africa50 considers that the 90 day past due delay on interest are not an objective indicator of default. Africa50 investment division assesses any potential credit risk through a set of quantitative and qualitative indicators such as: construction delays (construction is on track so far), project cost overruns (no cost overrun identified so far), change in taxation or regulation (no change in regulation so far), significant delays in payments from offtakers (not applicable during construction phase).

Impairment

Based on Moody's research on the default of infrastructure projects, the provision was calculated based on a probability of default and a recovery rate corresponding to the historical average for green projects in emerging markets exclusive of EEA or OECD members.

This resulted in a provision amounting to 153 133 USD of the shareholder loan principal.

iii) Room to Run

As at 31 December 2019, the Africa50 - PF investment in Room2Run consists of a risk protection guarantee and is accounted for as a commitment. The latter is subject to IFRS 9.

Investment status at end of December 2019

The Room2Run investment closed in November 2018. The loans in the underlying reference portfolio have been performing well since close, and investment performance is in line with projections. The principal lender continues to pay the protection fee amount and interest on the collateral as scheduled. Quarterly reporting on the reference portfolio as of December 2019 showed that not only were the loans performing well, but there were no material changes in the credit ratings of the loans in the reference portfolio, compared to ratings at the initial transaction close in November 2018. No default or potential default has been identified, and there are no credit losses in the underlying reference portfolio.

Guarantee granted to Room2Run Principal Lender

Based on the fact that the loans guaranteed are performing well with no potential defaults identified, the transaction is classified as Bucket 1. Africa50 - PF assesses any potential increase in credit risk through a set of indicators such as: a significant change in the rating of a specific loan in the reference portfolio; whether a loan is put in Bucket 2 by the principal lender; significant delays in the principal lender's payment of protection fees or interest on cash collateral; or a downgrade of a principal lender's long-term credit rating below AA/Aa2/AA by S&P, Moody's, and Fitch, respectively. The principal lender is rated AAA/Aaa/AAA currently.

None of the increased credit risk indicators above were applicable as of December 31st, 2019.

Impairment

No impairment was identified for the Room2Run investment when considering the following indicators: the probability of default of each loan in the reference portfolio, which is based on its credit rating, the structure of the transaction in which the principal lender retains part of the losses on the portfolio prior to any protection payment and the fact that a credit loss will be realized approximately three years after the occurrence of a default, and no default has occurred to date.

No payments related to credit losses are expected from Africa50 - PF on this transaction in 2019.

iv) Shareholder Loan to Malicounda Power SAS

This loan is classified as a debt instrument and is accounted at amortized cost. IFRS 9 applies for this operation. Project status as of 31 December 2019 Africa50 - PF considered the Project as "on track" and classified the shareholder loan as "Performing loan" (Bucket 1).

- Construction was launched in October 2019 and was progressing well with no major concerns.
- Discussions with lenders are ongoing, with financial close expected to be reached in June 2020.
- Africa50 disbursed a shareholder loan in the amount of approximately EUR 6.3 million in September 2019. Africa50 has one board seat member and participated in one board meeting in January 2020. Africa50 is also represented on the company's "Management Committee".

Shareholder loan to Malicounda Power SAS

Africa50 applies a definition of default that is consistent with the IFRS 9 definition used for internal credit risk management purposes. It considers qualitative factors (for example, financial covenants), where appropriate.

Regarding infrastructure projects, Africa50 considers that the 90 day past due delay on interest are not an objective indicator of default. Africa50 investment division assesses any potential credit risk through a set of quantitative and qualitative indicators such as: construction delays (construction is on track so far), project cost overruns (no cost overrun identified so far), change in taxation or regulation (no change in regulation so far), significant delays in payments from offtakers (not applicable during construction phase).

Impairment

Based on Moody's research on the default of infrastructure projects, the provision was calculated based on a probability of default and a recovery rate corresponding to the historical average for green projects in emerging markets exclusive of EEA or OECD members.

This resulted in a provision amounting to 26 038 USD of the shareholder loan principal.

9. OTHER NON CURRENT ASSETS

9.1 Total Other Non Current Assets

	2019 USD	2018 USD
Property, plant and equipment	**1,568,665**	1,795,448
Employee Loans & Deposit and guarantees	**197,572**	130,754
Fundraising	**161,163**	353,081
Leases	**2,370,506**	-
	4,297,906	2,279,283

(in USD)	IT equipment	Technical equipment	New office furniture	New office others	Total
At 1 January 2018					
Cost	52,156	928	-	332,706	385,790
Accumulated depreciation & impairment	(11,582)	(137)	-	(38,806)	(50,526)
Net book amount	**40,574**	**791**	**-**	**293,900**	**335,264**
Year ended 31 December 2018					
Opening net book amount	40,574	791	-	293,900	335,264
Additions	262,046	7,831	1,455,658	100,325	1,825,861
Disposals	-	-	-	-	-
Depreciation charge	(71,291)	(2,590)	(215,991)	(75,802)	(365,673)
Closing Net book amount As at December 31, 2018	**231,329**	**6,033**	**1,239,667**	**318,423**	**1,795,452**
At 31 December 2018				**-**	
Cost	314,202	8,759	1,455,658	433,032	2,211,651
Accumulated depreciation & impairment	(82,873)	(2,727)	(215,991)	(114,609)	(416,199)
Carrying amount As at December 31, 2018	**231,329**	**6,033**	**1,239,667**	**318,423**	**1,795,452**
Year ended 31 December 2019					
Opening net book amount	231,329	6,033	1,239,667	318,423	1,795,452
Additions	103,567	-	51,683	-	155,250
Disposals	-	-	-	-	-
Depreciation charge	(131,289)	(2,919)	(184,089)	(63,739)	(382,036)
Impairment Loss	-	-	-	-	-
Closing Net book amount As at December 31, 2019	**203,607**	**3,113**	**1,107,261**	**254,684**	**1,568,665**
At 31 December 2019				**-**	
Cost	417,769	8,759	1,507,341	433,032	2,366,901
Accumulated depreciation & impairment	(214,162)	(5,646)	(400,080)	(178,348)	(798,235)
Carrying amount As at December 31, 2019	**203,607**	**3,113**	**1,107,261**	**254,684**	**1,568,665**

Property, plant and equipment are depreciated using the straight-line method over their useful lives, estimated as follows:

IT equipment:	3 years
Technical equipment:	3 years
Office furniture:	5 years
Office layout:	6 years

9.3. Employee loans - Deposits and guaranties

	2019 USD	2018 USD
Employee Loans	**120,000**	60,000
Deposit and guarantees	**77,572**	70,754
	197,572	130,754

9.4 Fundraising expenses

Fundraising expenses incurred are expected to be charged to a new investment fund to be co- managed by Africa50 – PF and invested in by Africa50 – PF and private investors. They are consequently capitalized and depreciated on a straight-line basis until the launch of the fund. As at December 31, 2019 management believes that the fund will be launched in 2020, and all expenses are amortized in order to be fully expensed in the statement of profit or loss at the end of 2020.

	Gross value	Depreciation	Net Value 2019
Fundraising	**730,192**	**196,244**	**533,948**

10. LEASES

The balance sheet shows the following amounts relating to leases:

Right-of-uses assets	**31 December 2019 USD**	**1 January 2019 USD**
Head office	**2,115,357**	2,483,245
Others	**255,149**	342,629
	2,370,506	2,825,874

Lease liabilities	**31 December 2019 USD**	**1 January 2019 USD**
Current	**395,647**	338,863
Non-current	**2,091,364**	2,487,011
	2,487,011	2,825,874

The statement of profit or loss shows the following amounts relating to leases:

Expenses relating to leases	**31 December 2019 USD**	**31 December 2018 USD**
Depreciation charge of right-of-use assets	**455,368**	0
Interest expense (included in finance cost)	**134,722**	0
	590,090	0

The total cash outflow for leases in 2019 was 478,622 USD.

11. OTHER RECEIVABLES

Current

	2019 USD	2018 USD
Interest accrued from Room to Run	**1,333,950**	648,185
Other receivables	**862,817**	319,428
VAT receivables	**414,262**	706,183
	2,611,029	1,673,797

Non current

	2019 USD	2018 USD
Accrued interest from Nachtigal	**1,878,584**	35,307
Accrued interest from Malicounda	**38,561**	0
Accrued interest from Scatec Egypt	**1,824,933**	948,089
	3,742,078	983,396

12. CASH AND CASH EQUIVALENTS

	2019 USD	2018 USD
Cash	**30,024,343**	8,505,259
Cash equivalents	**146,357,151**	118,566,655
Accrued interest on cash equivalents	**93,977**	231,710
	176,475,470	127,303,624

Cash equivalent are made of term deposits with short duration, none of which exceeding one year.

13. PAID-IN CAPITAL

The authorized share capital according to Africa50 - PF status is 3,000,000,000 USD. The subscribed capital is 782,792,000 USD, while the paid-in capital is 366,421,059 USD.

	Class	# of shares as at 31 Dec 2018	# of shares issued in 2019	# of shares as at 31 Dec 2019	Paid-up capital as at 31 Dec 2019 USD
1.African Development Bank	B	100 000	-	100 000	75 000 000
2.Bank Al Maghrib	B	18 000	-	18 000	18 000 000
3.BCEAO	B	4 500	-	4 500	4 500 000
4.Benin	A	4 176	-	4 176	1 044 000
5.Burkina Faso	A	2 694	-	2 694	673 500
6.Cameroon	A	45 000	-	45 000	11 249 863
7.Congo Brazzaville	A	167 997	-	167 997	41 999 250
8.Djibouti	A	2 700	-	2 700	675 000
9.Egypt	A	90 000	-	90 000	67 500 000
10.Gabon	A	7 800	-	7 800	1 950 000
11.Gambia	A	900	-	900	225 000
12.Ghana	A	17 655	-	17 655	4 413 750
13.Guinea (Conakry)	A	4 500	-	4 500	1 125 000
14.Ivory Coast	A	26 999	-	26 999	6 749 750
15.Kenya	A	90 000	-	90 000	23 447 910
16.Kingdom of Morocco	A	90 000	-	90 000	67 500 000
17.Madagascar	A	9 003	-	9 003	6 751 937
18.Malawi	A	1 800	-	1 800	450 000
19.Mali	A	1 813	-	1 813	453 250
20.Mauritania	A	9 101	-	9 101	2 275 250
21.Mauritius	A	900	-	900	675 000
22.Niger Republic	A	1 799	-	1 799	449 750
23.Nigeria	A	36 000	-	36 000	9 000 000
24.Republic Democratic of Congo	A	1 800	-	1 800	900 000
25.Rwanda	A	9 000	-	9 000	4 500 000
26.Senegal	A	9 007	-	9 007	2 251 750
27.Sierra Leone	A	1 800	-	1 800	450 000
28.Sudan	A	2	-	2	500
29.Togo	A	17 346	-	17 346	4 336 500
30.Tunisia	A	9 000	-	9 000	6 748 874
31.Zimbabwe	A	-	1 500	1 500	1 125 225
		781 292	**1 500**	**782 792**	**366 421 059**

14. ACCOUNTS PAYABLES

Accounts payables amount to 5,427,069 USD and mainly represent 2,091,364 USD from long term loans of Lease due to IFRS 16 adjustments, and the rest from trade payables and outstanding invoices as of December 31st, 2019. All those liabilities are due within less than one year.

15. OTHER PAYABLES

	2019 USD	2018 USD
Current account of Africa50 - PD	**22,475,166**	19,480,781
Overpayments of share subscription paid by shareholders	**2,250,750**	11,700,811
Madagascar	**2,250,750**	6,751,937
Tunisia		4,498,874
Republic Democratic of Congo		450,000
Total	**24,725,916**	31,181,592

16. RELATED PARTY TRANSACTIONS

During the year under review, the Company entered into the following related party transactions. Details of the nature, volume of transactions and balances are as follows:

Related party	Nature	2019 Net volume of transactions during the year	2019 Balance receivable / payable at 31 Dec
Africa50 - PD	Debt - Current account	**2,994,385**	**22,475,166**
Infra Holdco 1	Debt - Current Account	**6,181,086**	**29,695,848**
Power Holdco 1	Debt - Current Account	**30,000**	**30,000**
Power Holdco 2	Debt - Current Account	**30,000**	**30,000**
Power Holdco 3	Debt - Current Account	**14,838**	**14,838**
Power Holdco 3	Payable to PF	**527,510**	**527,510**

Related party	Nature	2018 Net volume of transactions during the year	2018 Balance receivable / payable at 31 Dec
Africa50 - PD	Debt - Current account	(738,942)	19,480,781
Infra Holdco 1	Debt - Current Account	22,249,397	23,514,762

17. INTEREST / DIVIDEND INCOME

	2019 USD	2018 USD
Interests on projects loans - Room to Run	**3,228,280**	591,752
Interests on projects loans - Nachtigal	**1,846,153**	-120,702
Interests on projects loans - Infra Holdco 1	**876,844**	942,725
Interests on projects loans - Malicounda	**12,523**	
	5,963,800	1,413,775

The above amounts are the interests after deduction of the following provisions for risk according to IFRS rules:

- Depreciation Malicounda: 26,038
- Depreciation Room to Run: 152,890.
- Depreciation Nachtigal: - 2,876

18. OTHER INCOME

The other income amounts to 1,299,608 USD and mainly represents transaction fees of 765,000 USD in the context of the closing of a deal and due diligence expenses of 527,510 USD paid by Africa50 - PF on behalf of a 100%-owned subsidiary, which are to be reimbursed.

19. FINANCE INCOME

Finance income

	2019 USD	2018 USD
Interests on investment securities (term deposits)	**2,070,040**	3,626,939
	2,070,040	3,626,939

20. FINANCE COST

Finance cost

	2019 USD	2018 USD
Gain / loss on foreign currency	**6,844**	(6,139)
Interests on lease	**(59,277)**	
	(52,433)	(6,139)

21. EXPENSES ON PROJECTS

The project expenses correspond to the amounts committed (consultants, missions, specialists ...) during the year for the research and the study of investment projects whether through equity participation or direct financing.

	2019 USD	2018 USD
Expenses incurred on projects	**2,580,652**	899,621
	2,580,652	899,621

22. ADMINISTRATIVE EXPENSES

The total administrative expenses of Africa50 - PF amount to 8,526,838 USD which includes salaries and benefits for an amount of 4,498,580 USD, and other administrative expenses for an amount of 4,028,258 USD which includes travel, communication, recruiting, Board and General Shareholder Meeting expenses.

Salaries and Benefits:

Africa50 – PF and Africa50 – PD together count 47 employees as of December 2019 (29 in 2018), of which 11 employees are from Africa50 – PF only (4 in 2018).

Africa50's staff receives a monthly allowance to cover retirement costs and other expenses such as education and life insurance. A healthcare defined contribution insurance plan has been implemented in 2018.

Africa50's staff also benefits from a relocation allowance when appropriate.

23. FINANCIAL RISK MANAGEMENT

Africa50 - PF is a highly selective investor and each investment is subject to an individual risk assessment through an investment approval process. Africa50 - PF's Investment Committee is part of the overall risk management framework.

Financial instruments carried on the statement of financial position include financial assets at fair value through profit or loss, loans and receivables, capitalized expenses at amortized costs, other receivables, cash and cash equivalents, borrowings and other payables.

Africa50 - PF investing activities expose it to various types of risks that are associated with the financial instruments and markets it invests. The most common risks to which it is exposed are market risk, credit risk and liquidity risk. Africa50 - PF policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. Africa50–PF regularly reviews their risk management policies and systems to reflect changes in markets and emerging best practice.

The Board has established an Enterprise Risk Management and Finance Committee which oversees the risks affecting Africa50 - PF, the main mitigating factors and action taken to reduce these risks, the policies put in place to cover the main risks.

(a) Market risk

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk that will affect the Company's income or the value of its holdings of financial instruments. The Company's strategy on the management of investment risk is driven by the Company's investment objective.

i). Currency risk

Currency risk is the risk that the value of an instrument will fluctuate in USD owing to changes in foreign exchange rates. Africa50 - PF invests in securities denominated in different currencies. Consequently, it is exposed to the risk that the USD may change in a manner which has a material effect on the reported values of its assets which are denominated in these underlying currencies. Currency exposure and exchange rate movement are monitored and reviewed on a regular basis.

As regard cash accounts, most of the company accounts are in USD, with the exception of one account in EUR and another one in MAD which are used for current expenses.

Currency profile

The currency profile as at the reporting date is summarized as follows:

	Financial assets 2019 USD	Financial assets 2018 USD	Financial liabilities 2019 USD	Financial liabilities 2018 USD
UNITED STATES DOLLARS (USD)				
Financial assets at fair value through profit or loss	**70,030,235**	7,206,332		-
Loans and receivables	**50,814,807**	54,119,662		-
Other receivables	**4,021,700**	932,306		
Account payables			**2,276,408**	2,089,355
Other payables			**24,725,916**	31,181,592
Cash and cash equivalents	**175,625,956**	127,025,301		
Other non-current assets	**4,297,906**	2,279,283		
Paid-up capital			**366,421,059**	212,197,862
Total comprehensive income for the year			**277,742**	(3,062,253)
Reserves and retained earnings			**(6,776,632)**	(3,714,379)
	304,790,605	191,562,885	**386,924,492**	238,692,177
EURO (EUR)				
Financial assets at fair value through profit or loss	**33,823,115**	5,089,866		-
Loans and receivables	**48,271,505**	42,008,718		-
Capitalised expenses at amortised cost	**-**	-		
Account payables			**260,973**	573,707
Cash and cash equivalents	**3,074**	2,424		
Other receivables (non current)	**1,917,145**	35,307		
	84,014,838	47,136,314	**260,973**	573,707
GREAT BRITAIN POUND (GBP)				
Account payables			**10,625**	4,099
	-	-	**10,625**	4,099
MOROCCAN DIRHAM (MAD)				
Other receivables	**414,262**	706,183		
Account payables			**2,870,055**	411,299
Cash and cash equivalents	**846,440**	275,899		
	1,260,702	982,083	**2,870,055**	411,299
	390,066,145	**239,681,282**	**390,066,145**	**239,681,282**

The % forex as a total of financial assets and financial liabilities are as follows:

	Financial assets 2019 %	Financial assets 2018 %	Financial liabilities 2019 %	Financial liabilities 2018 %
United States dollar	**78**	80	**99**	100
Euro	**22**	20	**0**	0
Moroccan Dirham	**0**	0	**1**	0
Great Britain Pound	**-**	-	**0**	0
	100	100	**100**	100

Sensitivity analysis

The following table indicates the approximate change in the Company's financial assets in response to possible changes in the foreign exchange rates to which the Company has significant exposure at the reporting date.

A 10% increase and decrease in the USD against the relevant foreign currencies is the sensitivity rate used when reporting foreign currency risk and represents management's assessment of the reasonably possible change in foreign exchange rates.

A 10% movement in the foreign currency will affect financial assets as follows:

		Increase / (decrease)	
		2019 USD	2018 USD
EUR	10%	**8,375, 386**	4,713,631
	-10%	**(8,375,386)**	(4,713,631)
MAD	10%	**126,070**	98,208
	-10%	**(126,070)**	(98,208)
GBP	10%	**(1,063)**	410
	-10%	**1,063**	(410)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to the Company's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual reporting date. Results of the analysis as presented in the above table represent the effects on the Company's financial assets measured in foreign currencies, translated into USD at the exchange rate ruling at the reporting date.

ii). Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The income and operating cash flows are substantially independent of changes in market interest rates. The Company's significant interest-bearing financial assets are loans, as detailed in below table. Interest income may fluctuate in amount, in particular due to changes in interest rates.

		2019 USD	2018 USD
	Financial instruments		
Assets			
Loans and receivables	Floating rate	**22,443,085**	30,000,000
		22,443,085	30,000,000

Sensitivity analysis

The Company is exposed to interest rate fluctuation on a portion of the guaranty revenues from the Room2Run transaction. However, most of the revenues from Room2Run come from a premium with a fixed rate, and only a small portion of interest earnings are linked to LIBOR.

A 0.5 % movement in the interest rate will affect the revenues from Room2Run as follows:

		Increase / (decrease)	
		2019 USD	**2018 USD**
Loans and receivables	0.50%	**112,215**	150,000
	-0.50%	**(112,215)**	(150,000)

iii). Price risk

Price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The portfolio is reviewed on a regular basis by the Investment Committee to identify and manage the risk associated with particular countries and sector. Broad sector exposure and country limits are imposed and monitored on a regular basis.

iiii) Exchange rates as at December 31st, 2019

The tab below represents the exchange rates as of 31 December 2019:

	2019 USD
MAD	0.1045
EUR	1.1227
GBP	1.3267

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2019 USD	2018 USD
Assets		
Financial assets at fair value through profit or loss	**103,853,350**	12,296,198
Loans and receivables	**99,086,312**	96,128,380
Other non-current assets	**4,297,906**	2,279,283
Cash and cash equivalents	**176,475,470**	127,303,624
Other receivables	**6,353,107**	1,638,490
	390,066,145	239,645,975

Financial assets are not past due nor impaired, except for the loans to Scatec Egypt, Nachtigal and Malicounda projects, which have been impaired according to IFRS9 for respectively USD 104,063, USD 153,133 and, USD 26,038.

Cash and cash equivalents are maintained with reputable financial institutions. The Risk Committee's policy is to closely monitor the creditworthiness of the Company's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

The following table presents the international rating scales used by Africa50 to evaluate the risk rating of financial institutions:

Risk class	S&P - Fitch	Moody's
Very low risk	A+ and above A A- BBB+ BBB BBB-	A1 and above A2 A3 Baa1 Baa2 Baa3
Low risk	BB+ BB BB-	Ba1 Ba2 Ba3
Moderate risk	B+ B B-	B1 B2 B3
High risk	CCC+ CCC	Caa1 Caa2
Very high risk	CCC- CC C	Caa3 Ca C

The Company's cash balances is held at financial institutions having the following credit ratings.

Financial Institution	2019	2018	Credit ratings		Credit agency	
	USD	USD	2019	2018	2019	2018
Attijari Wafabank	**29,404,141**	26,092,425	BB+	BB+	Fitch	Fitch
Attijari Wafabank	**-**	7,000,000				
BMCE	**28,688,296**	28,443,603	BB+	BB+	Fitch	Fitch
PTA Bank	**31,476,252**	39,819,223	BBB-	BBB-	Fitch	Fitch
Afreximbank	**41,607,221**	25,946,887	BBB+	BBB+	Fitch	Fitch
Citibank	**45,298,818**	-	A+	A+	Fitch	Fitch
Petty Cash			742	1,486	N/A	N/A
	176,475,470	127,303,624				

The Company considers credit risk associated with balances held at bank to be very low or low as outlined on the above risk classes.

(c) Liquidity risk

Liquidity risk is the risk that Africa50 - PF will not be able to meet its financial obligations as they fall due. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. This excludes the potential impact of extreme circumstances which cannot be reasonably predicted.

The maturity profile of the Company's financial assets and liabilities based on contractual cash flows is summarized in the table below. The contractual cash flows approximate its carrying amounts.

31 December 2019	On demand	Less than 1 year	Between 1-5 years	More than 5 years	Total
	USD	USD	USD	USD	USD
Financial assets					
Loans and receivables	**74,838**	**6,815,247**	**38,627,804**	**53,851,657**	**99,369,546**
Cash and cash equivalents	**30,024,343**	**146,451,127**	**-**	**-**	**176,475,470**
Other receivables	**-**	**2,611,029**	**3,742,078**	**-**	**6,353,107**
	30,099,181	**155,877,404**	**42,369,882**	**53,851,657**	**282,198,123**
Financial liabilities					
Other payables	**22,475,166**	**2,250,750**	**-**	**-**	**24,725,916**
Account payables	**-**	**3,326,695**	**2,091,365**	**-**	**5,418,060**
	22,475,166	**5,577,445**	**2,091,365**	**-**	**30,143,976**

31 December 2018	On demand	Less than 1 year	Between 1-5 years	More than 5 years	Total
	USD	USD	USD	USD	USD
Financial assets					
Loans and receivables	-	8,958,300	17,125,700	69,356,363	95,440,363
Cash and cash equivalents	8,505,259	118,798,365	-	-	127,303,624
Other receivables	-	1,638,490	983,396	-	2,621,886
	8,505,259	**129,395,155**	**18,109,096**	**69,356,363**	**225,365,873**
Financial liabilities					
Other payables	19,480,781	11,700,811	-	-	31,181,592
Account payables	-	3,078,459	-	-	3,078,459
	19,480,781	**14,779,270**	**-**	**-**	**34,260,051**

24. EVENT AFTER THE REPORTING DATE

The entity's financial statements have been prepared on a going concern basis. Activities began to be affected by COVID-19 in the first quarter of 2020, and the Company expects COVID-19 to have some impact on its financial statements in 2020, but is not able at this stage to assess and quantify it at this time.

On the date of the approval of the financial statements by its board of directors, the management of the Company is not aware of any significant uncertainties which call into question the ability of the entity to pursue its purposes.

NOTES

Glossary of Terms

- **AFRICA50 - PD:** Africa50 - Project Development
- **AFRICA50 - PF:** Africa50 - Project Finance
- **AfCFTA:** African Continental Free Trade Area
- **AfDB:** African Development Bank
- **CEEAC:** Economic Community of Central African States
- **CEO:** Chief Executive Officer
- **CFO:** Chief Financial Officer
- **COO:** Chief Operations Officer
- **DFI:** Development Finance Institutions
- **ECA:** Export Credit Agency
- **EMDE:** Emerging Markets and Developing Countries
- **ESG:** Environmental and Social Governance
- **ESMS:** Environmental and Social Management System
- **FiT:** Feed-in Tariffs
- **GDP:** Gross Domestic Product
- **GW:** Giga Watts
- **GwH:** Gigawatt Hours
- **HPP:** Hydro Power Plant
- **ICA:** Infrastructure Consortium for Africa
- **ICT:** Information and Communications Technology
- **IFC:** International Finance Corporation
- **IPO:** Initial Public Offering
- **IPP:** Independent Power Plant
- **KIC:** Kigali Innovation City
- **KV:** Kilo Volt
- **MPG:** Melec Power Gen
- **MW:** Mega Watt
- **MWDC:** Megawatt DC
- **NBET:** Nigerian Bulk Energy Trader
- **NGO:** Non-Governmental Organizations
- **PPA:** Power Purchase Agreement
- **PPI:** Private Participation in Infrastructure
- **PPP:** Public Private Partnership
- **PV:** Photovoltaic
- **RDB:** Rwanda Development Board
- **TwH:** TeraWatt Hours

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