AFRICA50

ANNUAL REPORT 2017

AFRICA50

INVESTING IN INFRASTRUCTURE
FOR AFRICA'S GROWTH

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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 bridge Africa's infrastructure funding gap by mobilising public and private sector finance and facilitating project development.

It focuses on medium- to large-scale projects that have a significant development impact while offering an appropriate return to investors. Bringing project development and financing together in one institution, Africa50 provides support at every stage of the project cycle.

Infrastructure Projects

During its first two years of operation, Africa50 funded three infrastructure projects in three countries, (see 'Part Three: Investment Activities').

Priority Sectors

POWER

ICT*

TRANSPORT

MIDSTREAM GAS

Infrastructure Projects

3 PROJECTS

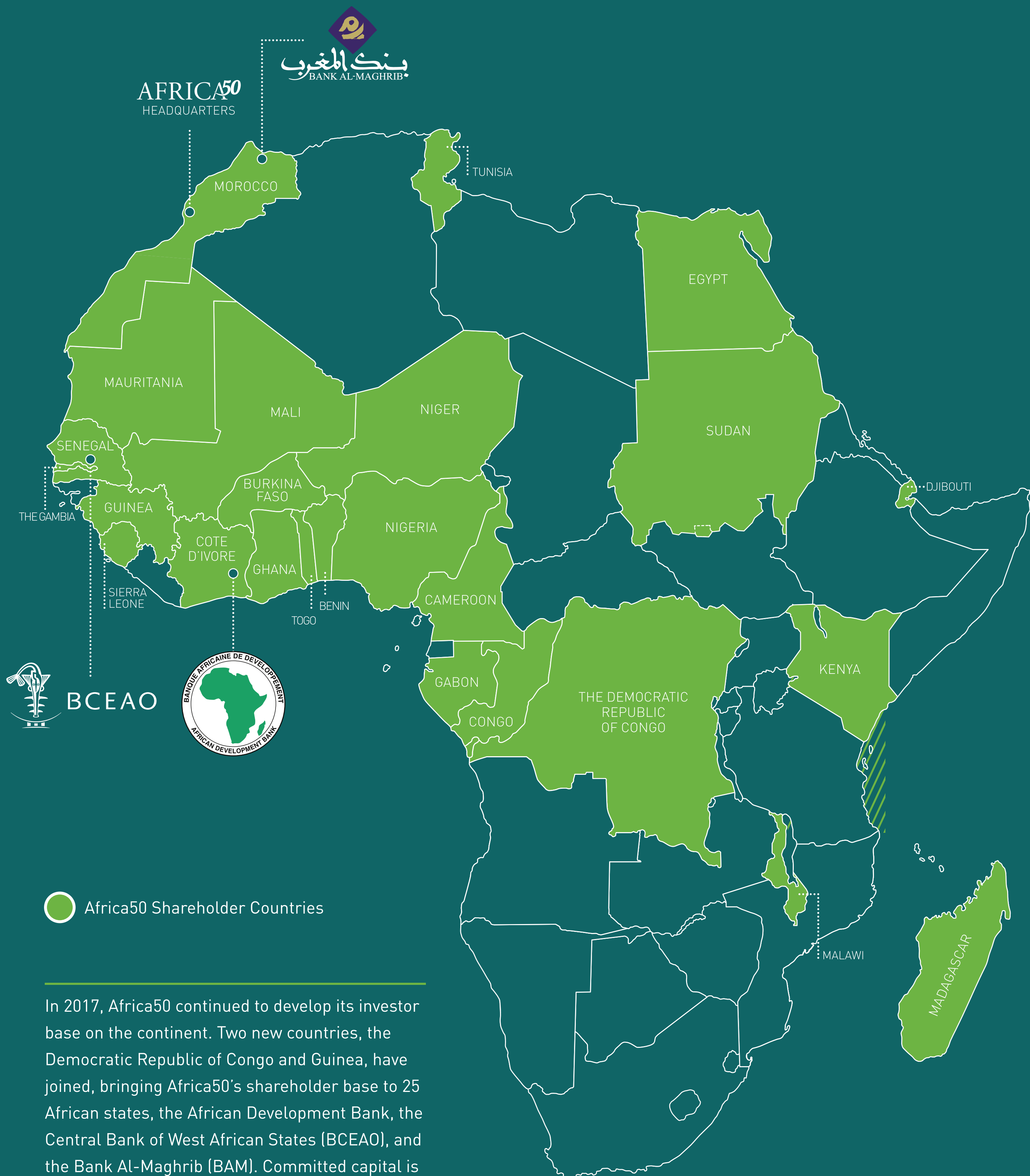
African Shareholder Countries

25

Committed Capital

US$819M

*Information and Communication Technology



In 2017, Africa50 continued to develop its investor base on the continent. Two new countries, the Democratic Republic of Congo and Guinea, have joined, bringing Africa50's shareholder base to 25 African states, the African Development Bank, the Central Bank of West African States (BCEAO), and the Bank Al-Maghrib (BAM). Committed capital is US$819 million.

MESSAGE FROM THE CHAIRMAN

Demand for infrastructure in Africa is growing rapidly due to population and economic growth. Our latest research indicates that the continent's infrastructure funding needs have reached US$170 billion a year. However, funding from the public sector and other sources is not flowing into infrastructure projects at a pace that can sufficiently meet this demand, so Africa is faced with an annual gap estimated at US$108 billion.

While African policymakers have demonstrated unprecedented levels of political support for infrastructure investment, the current funding gap far exceeds existing public-sector resources. Private finance is urgently needed, so efforts to catalyse its flow into African infrastructure must be significantly scaled up.

This means that Africa50, whose mission is exactly that, must further increase its momentum on the continent. In its first two years of operation, it has already cemented its position as one of the private sector's foremost allies for medium to large scale infrastructure projects. Africa50 is developing solar plants in Egypt and Nigeria, and a thermal plant in Senegal, and is establishing a viable project pipeline that promises an even brighter future.

This strongly complements the efforts of the African Development Bank and the broader development finance community. It heralds a new chapter in African infrastructure development, where private capital will start to flow more freely into projects, with a significant development impact.

Africa50 is also raising its profile through strategic partnerships and participation in high-profile investment forums, establishing itself as a thought leader, innovator, and deal maker. For example in May 2018, Africa50 joined the African Development Bank and the Green Climate Fund to collaborate on the Bank's Desert to Power Initiative for solar projects in the Sahel region. This will tap into Africa's vast solar potential, turning its deserts into new sources of energy and providing 10,000 megawatts of electricity to 250 million people, including 90 million through off-grid solutions. When completed, it could be the largest solar power system in the world, further establishing Africa50's track record in clean energy.

We also look forward to working with Africa50 during our inaugural Africa Investment Forum to be held in November 2018 in Johannesburg, South Africa. This is a highly anticipated event with the objective of leveraging global pension funds, sovereign wealth funds and other institutional investors to invest massively in Africa.

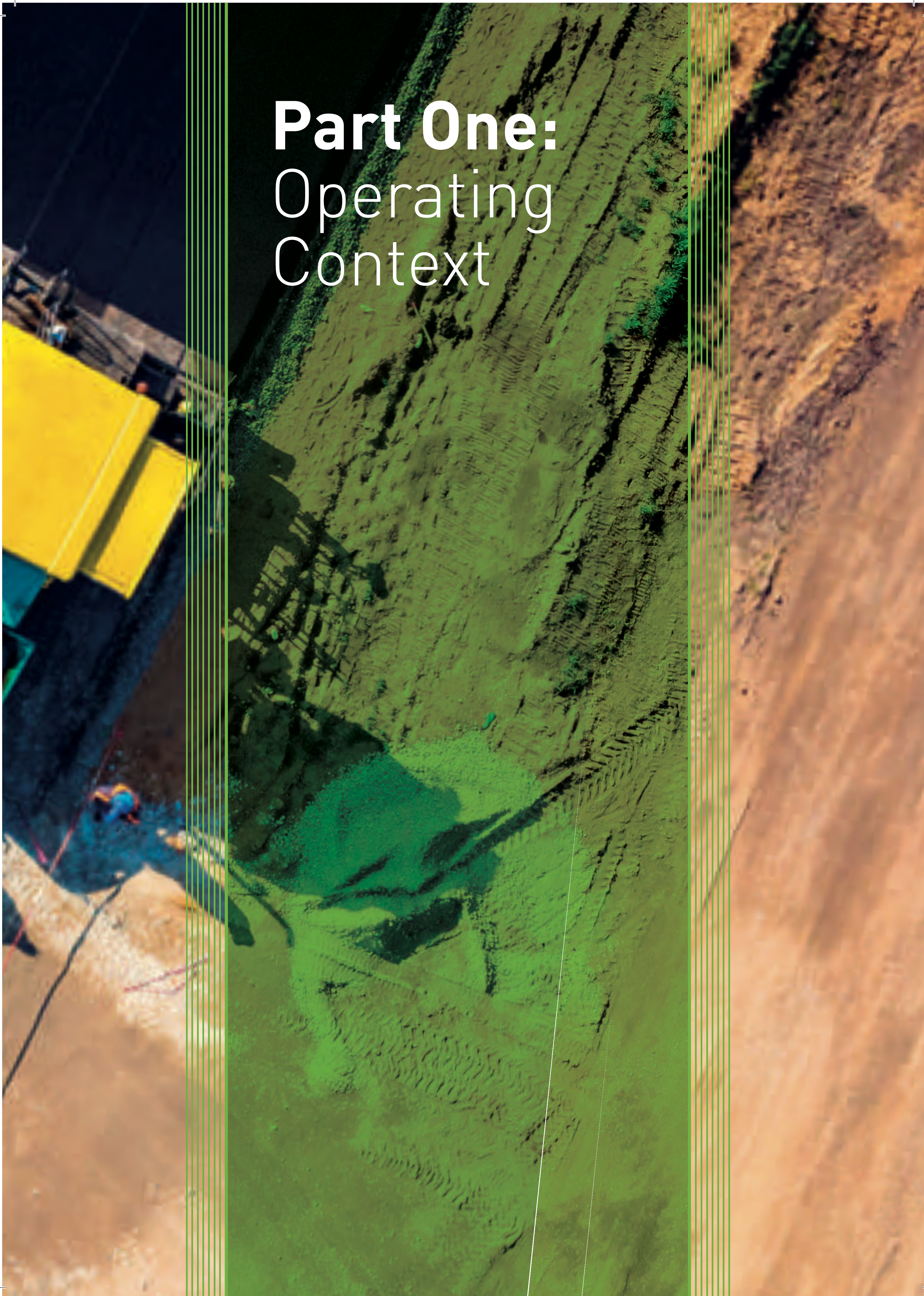
Africa50 has the full support of the African Development Bank, its founding shareholder. Indeed, Africa50's mandate is closely aligned with the African Development Bank's High Five Development Agenda to: Light Up and Power Africa; Feed Africa; Industrialise Africa; Integrate Africa; and Improve the Quality of Life for the People of Africa. Improved infrastructure is critical to achieving all these goals and Africa50 is well placed to help accelerate its development.

With its senior management team now fully constituted, under the able leadership of our CEO Alain Ebobisse, the future of Africa50 is bright. This experienced team is championing innovative public and private investments to accelerate infrastructure investments in Africa.

I am excited about the future of Africa50 and I hope that as shareholders you are too!

Dr. Akinwumi A. Adesina

Part One: Operating Context



PART ONE: OPERATING CONTEXT

1.1 Global Overview

Global investment in infrastructure remained strong in 2017, with 2,378 transactions with an estimated value of US$916 billion. This is a slight decrease from 2,529 deals in 2016, but an increase in value from US$645 billion.[1]

In 2017, private participation in infrastructure investment in emerging markets and developing economies, at US$93.3 billion across 304 projects, marked an increase of 37 percent from 2016 levels.

Government support[2] for private infrastructure projects increased from 94 projects in 2016 to 135 in 2017, highlighting that the public sector remains an important driver of infrastructure development.

Estimated aggregate value of the 2,378 infrastructure deals completed globally in 2017

US$ 916 BILLION

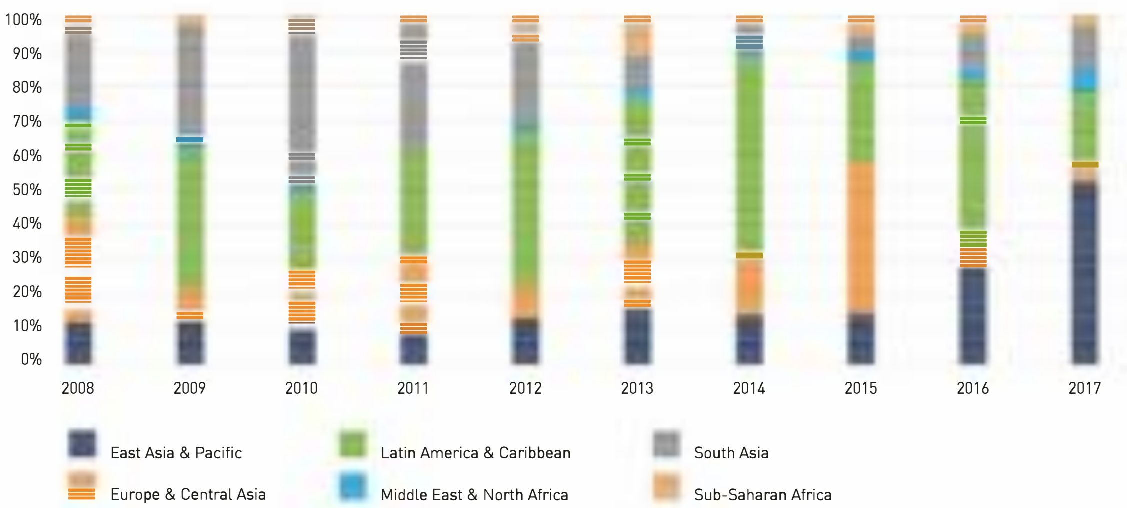
56%

of total investment in infrastructure in 2017 was in emerging markets and developing economies

304

infrastructure projects in 2017 received private participation investment in emerging markets and developing economies

Figure 1.1: Regional share of investment commitments in infrastructure projects with private participation in emerging markets and developing economies (2008-2017)



SOURCE: PPI Database, World Bank, as of April 2018

1. SOURCE: 2018 Preqin Global Infrastructure Report.
2. Government support falls into two categories—direct and indirect. Direct government support includes government liabilities that directly cover project costs, these are either in cash or in kind, are certain to occur, and include capital subsidies, revenue subsidies, and land. Indirect government support is given either in the form of contingent liabilities (liabilities that may not actually occur as they are contingent on a predetermined event) or government policies that support investment. These supportive policies include guarantees such as the exchange rate, payment, revenue, debt, and tax breaks or benefits extended by the government. SOURCE: 2017 World Bank Private Participation in Infrastructure (PPI) Annual Report.

Development finance institutions played an instrumental role in financing projects in 2017. Cumulatively, they contributed 30 percent of total investment in emerging markets and developing countries, which was 56 percent of the total international debt raised, and 44 percent of total debt raised in these markets.[3]

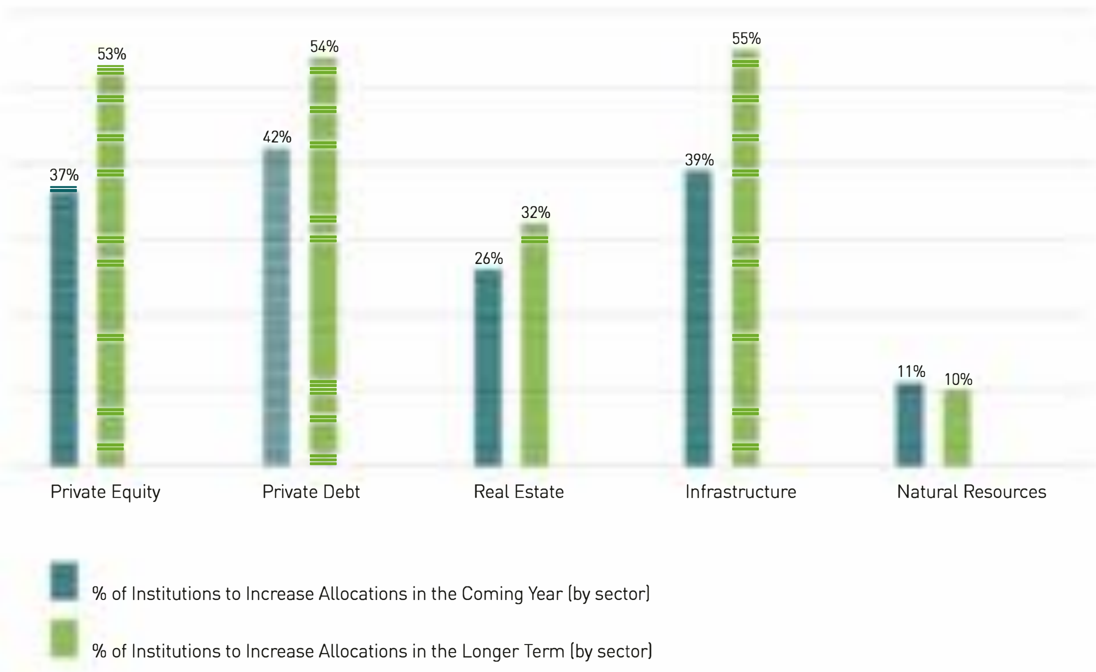
52 developing countries received private infrastructure investments in 2017, up from 37 in 2016. Comparing regions, East Asia and the Pacific led with US$49 billion, overtaking Latin America and the Caribbean for the first time. Private investment in the Middle East and North Africa tripled from 2016 levels, almost doubled in South Asia, but declined in Sub-Saharan Africa (figure 1.1).[4]

Energy continued to attract the most investment, with almost US$52 billion, 56 percent of total investment in 2017, followed by transport with over US$36 billion, ICT backbone with US$3 billion, and water and sanitation with US$1.9 billion. 88 percent of the 197 electricity generation projects were in renewables, although their investment share dropped to 57 percent due to large coal projects in Asia[5].

In advanced economies, institutional investors such as pension funds and insurance companies showed a growing interest in long-term infrastructure assets. 39 percent of institutions polled by Preqin intended to increase investments in infrastructure in 2018, and 55 percent indicated an interest in investing in infrastructure over the long term (figure 1.2)[6].

Furthermore, according to the 2017 EDHEC/GIH survey on investor perceptions of infrastructure, 82 percent of asset owners currently investing in emerging-market infrastructure expect their allocation to infrastructure to increase in these markets[7].

Figure 1.2: Investment allocations in 2018 and in the longer term (by sector)



3. SOURCE: 2017 World Bank Private Participation in Infrastructure (PPI) Annual Report.
4. SOURCE: 2017 World Bank Private Participation in Infrastructure (PPI) Annual Report.
5. SOURCE: 2017 World Bank Private Participation in Infrastructure (PPI) Annual Report.
6. SOURCE: 2017 Preqin Global Infrastructure Report.
7. SOURCE: Singapore Infrastructure Investment Institute (EDHECInfra) Investor Perceptions of Infrastructure, 2017.

1.2 African Context

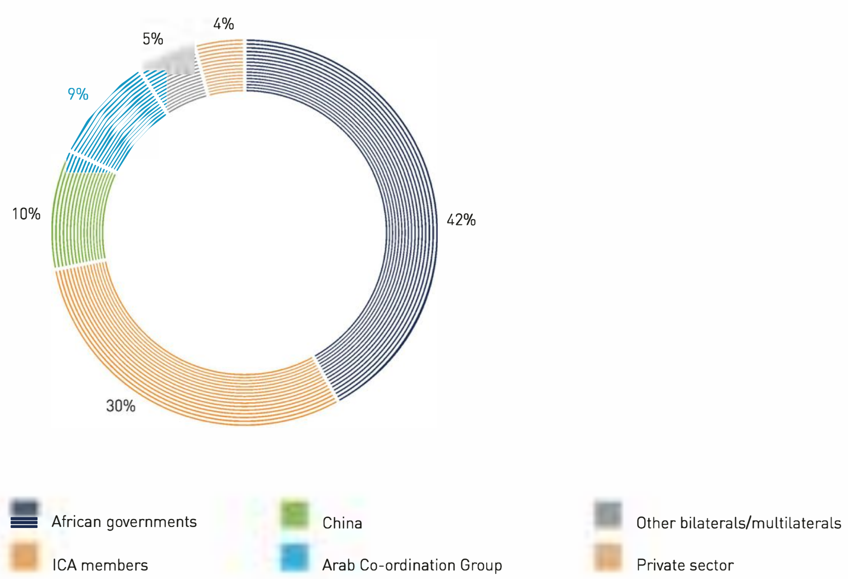
According to the most recent research from the Infrastructure Consortium for Africa (ICA), infrastructure funding on the continent totaled US$62.5 billion in 2016, down from US$78.9 billion in 2015. African governments are still the leading source of funding, accounting for 42 percent, while the private sector plays only a limited role, with 4.1 percent of commitments.[8]

US$26.3 billion was funded from national budgets and US$18.6 billion by ICA member countries and institutions, including the World Bank Group, the African Development Bank, the European Commission, the European Investment Bank, and the Development Bank of South Africa. Funding from other organisations totaled US$3.1 billion, and funding from China and the Arab Coordination Group, was US$6.4 billion and US$5.5 billion respectively (Figure .1.3).

Recent figures from the World Bank, show that in 2017, Sub-Saharan Africa received private infrastructure investment of US$2.1 billion for 19 projects in 11 countries - almost 10 times less than Latin American and the Caribbean, which received US$19.4 billion. Ghana and Rwanda were the main investment destinations, followed by Mozambique, Madagascar, Mali, Senegal, Zambia, Burkina Faso, and Uganda.

Investment in the Middle East and North Africa region, at US$5.9 billion, tripled compared to that of 2016 levels. This increase was predominantly driven in Africa by Egypt, which attracted an unprecedented level of investment, reaching US$2.9 billion across 25 projects. Of these projects, 24 were for renewables. This surge was a result of government policy that encouraged investment in renewables. Almost all the investments were in Benban Solar Park, which is expected to become the largest solar installation in the world.[9]

Figure 1.3: Funding Commitments for African Infrastructure



SOURCE: Infrastructure Consortium for Africa, 2016

8. SOURCE: Infrastructure Financing Trends in Africa 2016, Infrastructure Consortium for Africa
9. SOURCE: 2018 Preqin Global Infrastructure Report.

1.3 Financing the Gap

According to the African Development Bank's most recent research, Africa's infrastructure requirements have reached US$170 billion a year, with a financing gap of US$108 billion.

Funding this gap requires a balance between development finance, which can fund and de-risk early stage project development, and long-term investment. Africa50 believes there is an urgent need to attract new funding from the private sector and other sources, since the growing stock of infrastructure-related public debt is raising concerns on debt sustainability.

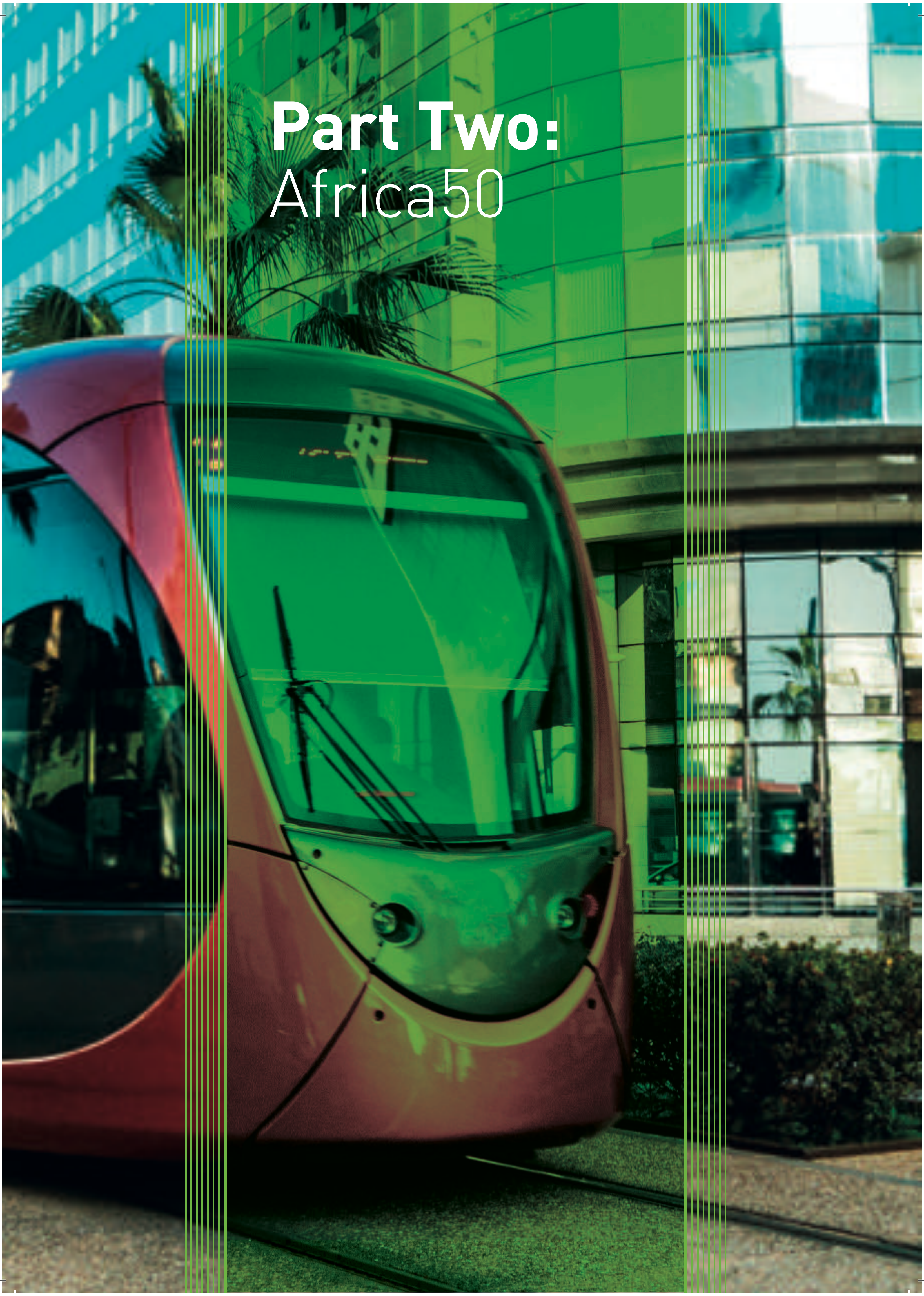
Assets managed by African institutional investors such as pension and sovereign wealth funds and insurance companies are a potential source that has already been tapped in some countries. Their holdings are expected to rise to US$1.8 trillion by 2020 from US$670 billion in 2012.[10]

Africa50 believes that infrastructure development in Africa requires a collaborative approach, with governments working alongside the private sector, the development finance community, and other financiers to mitigate risks and ensure a solid return on investment. This collaboration must be encouraged across all stages of the project cycle, and includes:

- **Strengthening contractual regimes** to promote certainty during changes in political leadership, so that investors can accurately project expected cash flows and feel secure in committing funds
- **Increasing project preparation resources** to build a pipeline of bankable, investment-ready projects that have a strong developmental impact
- **Improving public sector capacity and skills** in project development and finance to allow countries to improve their enabling environment for infrastructure investment.
- **Upgrading Public Private Partnership frameworks** to allow governments and parastatals to better manage their relationships with private investors.

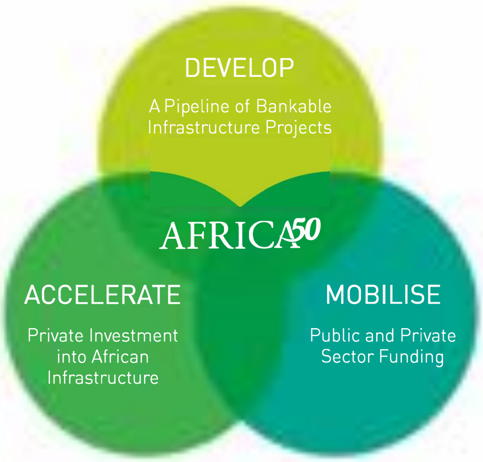
10. SOURCE: African Economic Outlook 2018, African Development Bank.

Part Two:
Africa50



PART TWO: AFRICA50

2.1 Strategic Pillars



Africa50-Project Development seeks to grow a pipeline of bankable projects

Africa50-Project Finance provides primarily equity and quasi-equity capital alongside strategic partners

Private and Public Investors with priority on mobilising long term savings managed by institutional investors from within and outside Africa

2.2 Core Value Proposition

Africa50 believes it has the following core value proposition:

- Experienced investment team with a track record of deal making
- Close relationships with African government shareholders
- Priority deal-flow generated from project development activities and through ongoing dialogue with African government 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 development finance institutions, as well as concessional funding
- International best-practice environmental, social and governance standards
- Efficient decision making matched by speed in execution

Africa50 believes it has the potential to mobilise private sector capital by contributing to the public-private partnership infrastructure agenda by:

- Acting as a bridge between its African government shareholders and private investors, advocating for greater private sector participation and helping to overcome project roadblocks
- Attracting private sector capital by increasing the number of bankable opportunities in Africa
- Sourcing funds from a global pool of investors, including institutions with longer-term investment horizons
- Leveraging returns to help fund transformative projects with strong developmental impact

2.3 Priority Sectors

Africa50 prioritises investment in the Power, Transport, ICT and Gas sectors, which are projected to collectively absorb 86 percent of Africa's overall infrastructure funding by 2025[11].

POWER

Energy access is the foundation of inclusive economic growth, innovation and prosperity.

ICT

ICT has a strong multiplier effect on economies as it drives increased access to information, innovation, and knowledge, at reduced costs.

TRANSPORT

Transport infrastructure is critical to boosting competitiveness and trade, access to social services, and regional integration.

MIDSTREAM GAS

Natural gas is an important source of energy for reducing pollution. It also enables to develop local resources for power generation.

2.4 Sustainability Commitments

Environmental, social and governance (ESG) principles are central to Africa50's investment decisions and are an integral part of its operational processes. By investing in infrastructure, Africa50 aims to promote sustainable economic growth and job creation, and improve the lives of people, while preserving natural resources for future generations.

Given the catalytic role of infrastructure, Africa50 contributes to the efforts of African countries to meet their commitments under the UN's Sustainable Development Goals and contributes to the African Development Bank's High Five development priorities.

11. Source: Infrastructure Stock and Spend Database; HIS; International Transport Forum; MGI analysis

The African Development Bank's 'High 5' goals to 2025

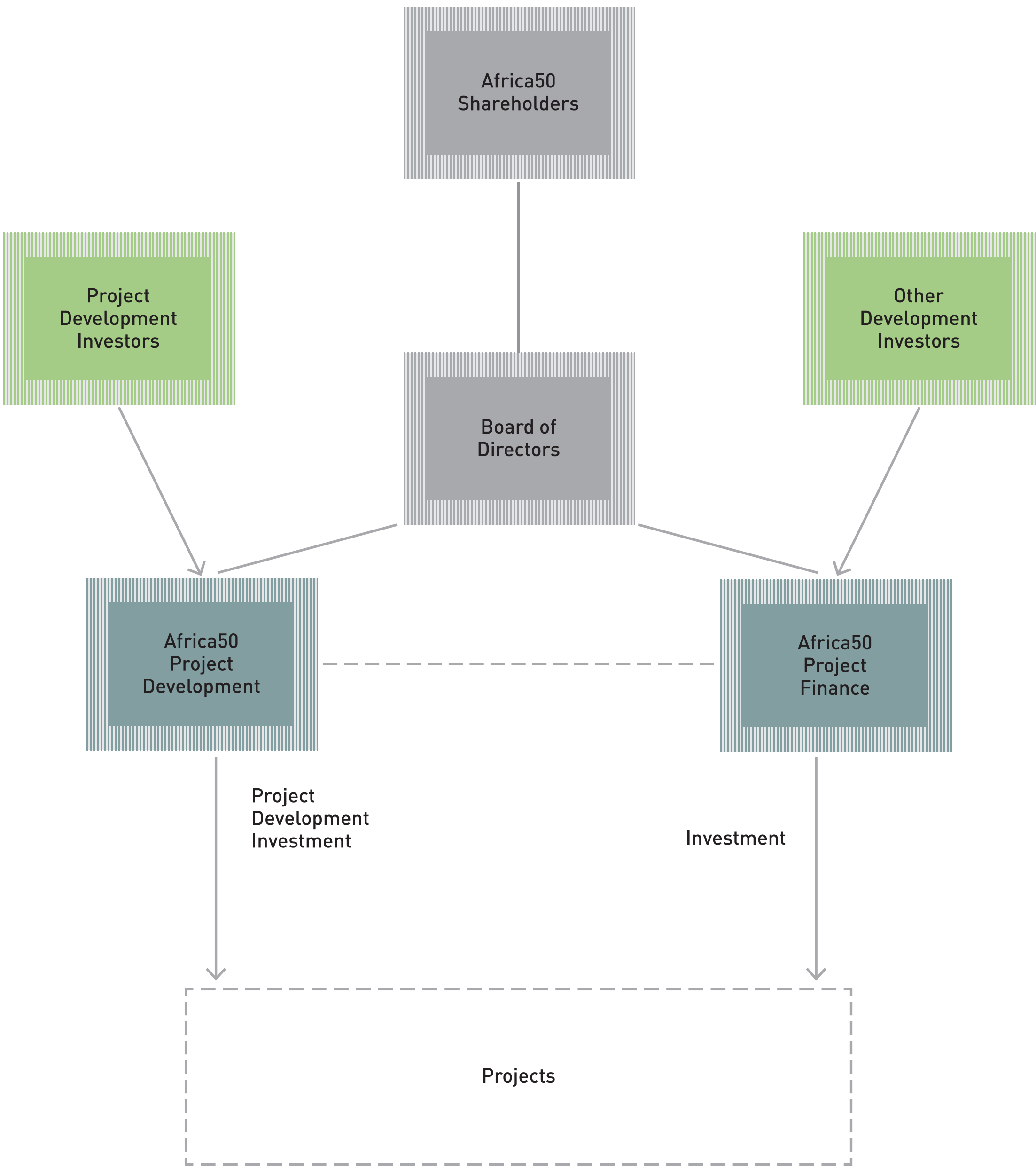
Priority Area		Goal / Objective 2025
01	Light up & power Africa	Universal access to Electricity + 162 GW electricity generated + 130 million on-grid connections + 75 million off-grid connections
02	Feed Africa	Agricultural Transformation + 150m people adequately fed + 100m people lifted out of poverty + 190m hectarces 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 Strenthening health system

SOURCE: www.afdb.org/en/the-high-5/

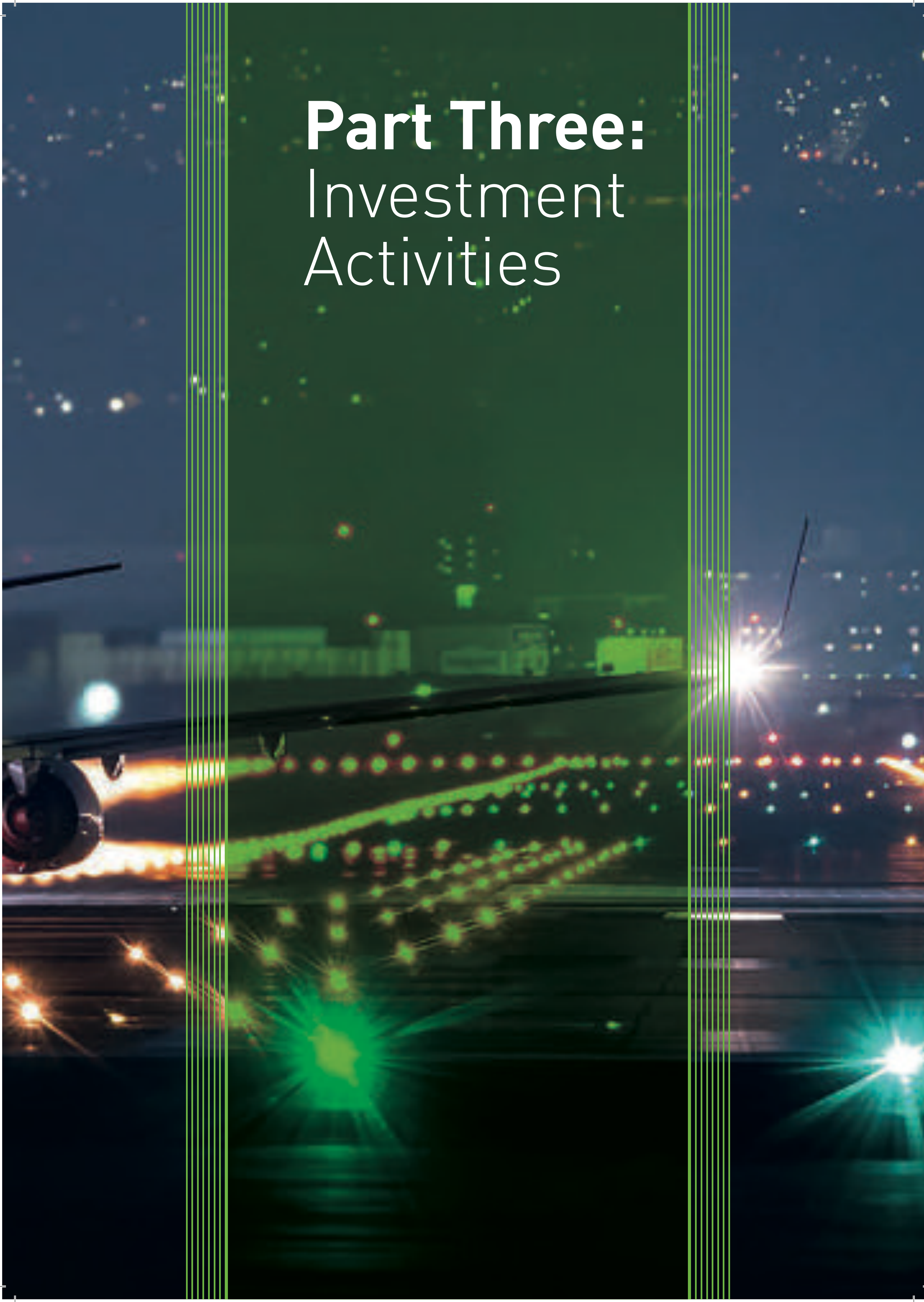
2.5 Operating Structure

Africa50 ensures the independence and quality of its investment decisions through good governance and robust legal structures to meet investor expectations.

Africa50's operating structure is organised as follows:



Part Three: Investment Activities



PART THREE: INVESTMENT ACTIVITIES

3.1 Project Development

3.1.1 Strategy

Africa50 Project Development's strategy is underpinned by the following pillars:

- **Investment selection:** Prioritise core infrastructure projects in shareholder countries, ensuring alignment between the selected project and the respective country's development priorities.
- **Public sector support:** Identify government-supported projects that are feasible and impactful and collaborate with authorities to mitigate implementation risks and delays.
- **Co-investment:** Act as an active minority sponsor with strong developers to ensure project execution.
- **Partnerships:** Actively pursue partnerships with institutional partners, notably the African Development Bank, for project preparation, guarantees, concessional and commercial funding, transaction support, and public sector and institutional funding.

3.1.2 Structure

- **Model:** Venture capital
- **Share capital allocation:** 10 percent of Africa50's authorised share capital
- **Investment ticket size per project:** US$2–$10 million in early stage equity

3.1.3 Project Facilitation

Africa50-Project Development is involved in all aspects of projects facilitation to actively steer projects toward financial close. It funds, executes, and/or supervises the following development activities:

- Project feasibility studies
- Economic, social, technical, and environmental studies
- Commercial and financial documentation and negotiation
- Strategic sponsor selection
- Project equity and debt financing
- Public and private stakeholder management

Africa50-Project Development does not offer grant funding, as it has a mandate to operate commercially. It follows a model similar to venture capital, where development activities are funded as an early-stage equity investment with appropriate return prospects, along with the right to invest equity in the project at financial close.

3.1.4 Committed Projects

Africa50 Project Development signed Joint Development Agreements for three projects, with one of them reaching financial close in 2017.

Senegal

Malicounda Power Plant

Development of a greenfield 120-megawatt combined cycle thermal power plant

Approved
September 2017

Africa50's Commitment
US$2 million (early stage equity funding for development activities)

Expected Financial Closing
December 2018

Background

In September 2017, Africa50 signed an agreement with Senelec, the Senegalese national utility, for competitive selection of a strategic sponsor to develop a 120 megawatt combined cycle thermal power plant in Malicounda. The plant, situated in Mbour department (85 kilometres from Dakar), will initially run on fuel oil, but will be converted to natural gas once it becomes available from recently discovered gas fields. Private sector participation follows the Build, Own, Operate, and Transfer model.

Africa 50's stake is 30 percent, alongside MelecPowerGen - the majority-owner and strategic sponsor, and Senelec – the Senegalese National Electric Utility.

In January 2018, MelecPowerGen, which was selected as strategic sponsor, signed a 20-year power purchase agreement with Senelec, with the lowest thermal power plant tariff in the country.

Benefits

The plant is expected to produce at least 956 gigawatt hours a year. The electricity generated will be fed into the network through an existing distribution substation. The project fits into the government's strategy to increase energy production while, in the medium term, reducing the cost of electricity for consumers. The plant will also help satisfy base loads, facilitating the integration of intermittent renewable power into the country's network.

Nigeria

Nova Scotia Solar Power Plant

Construction of a 100-megawatt solar power plant in Jigawa State

Approved
December 2016

Africa50's Commitment
US$2 million (early stage equity)

Expected Financial Closing
December 2018

Background

Africa50 signed a Joint Development Agreement with Scatec Solar and Norfund for the development of the 100-megawatt direct current Nova Scotia Solar power plant in Jigawa state. Africa50 acts as a project development and long-term equity partner (with 24.5 percent stake).

The project benefits from strong fundamentals, with reliable solar resources and direct access to the grid under a 20-year power purchase agreement with the Nigerian Bulk Electricity Trading company. Senior debt will be provided by the Overseas Private Investment Corporation, Islamic Development Bank, and African Development Bank.

Benefits

The plant is expected to produce about 200 gigawatt hours of power a year, contributing to Jigawa state's US$2 billion development plan and helping Nigeria meet its climate change commitments, with an estimated 120,000 tons of carbon dioxide emissions avoided annually.

Egypt

Benban Photovoltaic Power Plants

Construction of a 400-megawatt solar power plant

Approved
May 2017

Project Cost
US$430 million

Africa50's commitment
US$8 million
(early stage equity)

Financial Close
October 2017

Background

Africa50 entered into a joint Development Agreement with Scatec Solar and Norfund in May 2017, committing late stage project development equity for six utility scale photovoltaic power plants totalling 400 megawatts. The projects successfully reached financial close in October 2017.

Africa50 is now contributing 25 percent of the equity to fund construction alongside Scatec Solar and Norfund. Senior debt is provided by the European Bank for Reconstruction and Development, the Netherlands Development Finance Company, the Green Climate Fund, the Islamic Development Bank, and the Islamic Corporation for the Development of the Private Sector.

The plants are supported by 25-year power purchase agreements with the state-owned Egyptian Electricity Transmission Company, backstopped by a sovereign guarantee. Access roads and interconnection facilities (substations and a 12 kilometre high-voltage line) have already been funded collectively by the Benban project developers under a cost-sharing agreement with the Egyptian Electricity Transmission Company and the New and Renewable Energy Agency. The plants will benefit from Egypt's strong and consistent irradiation.

Benefits

The investment supports Egypt's ongoing reform of the power sector, which focuses on cost effectiveness, expanded and diversified generation, and increased private sector participation. Currently, Egypt's generation capacity is still more than 90 percent thermal. The six plants are expected to generate around 900,000 megawatt hours of clean photovoltaic electricity annually, which would avoid emissions of more than 350,000 tons of carbon dioxide. In addition, the partners are committed to training and employing local workers for plant construction and operation.

Developed under the second round of the Egyptian Feed-in Tariff Program, this project is part of a program to establish the largest solar park in the world, consisting of 30 plants with a combined capacity of more than 1600 megawatts. With the participation of global investors, it establishes large-scale renewable energy as an important power generation source in a region traditionally dominated by fossil fuels. It also demonstrates how Africa50 can use its capital to leverage substantial resources from other partners.

3.1.5 Africa50-Project Development Pipeline

Twenty-one projects are currently under consideration by Africa50 Project Development, the majority of which are in the power and transport sectors.

Power	Transport	ICT
10	9	2

To enhance the pipeline, Africa50-Project Development completed business development activities in Congo, Guinea, and Morocco, where it had robust engagement with authorities and commercial stakeholders on potential projects.

3.1.6 Outlook for 2018

In 2018, Africa50 expects to focus on projects with a strong probability of financial close and on scaling up project preparation resources to better transform project proposals into investable opportunities. Africa50-Project Development will work with its extensive network of partners to increase synergies in project implementation, with the goal of lessening the fragmentation that slows down project development in Africa.

3.2 Project Finance

The mandate of Africa50-Project Finance is to take strategic stakes in infrastructure projects and platforms, investing equity and quasi-equity capital. This approach allows Africa50 to catalyse external capital, while securing an influential role in the investee businesses. Africa50 shareholder countries represent some of the most attractive investment destinations on the continent and thus are a priority target for investments. However, attractive investments in non-shareholder countries are also considered.

Investments are sourced externally and through Africa50-Project Development, with the objective of achieving attractive risk-adjusted returns, while assuring a high developmental impact. Africa50 believes that its comparative advantages include the risk mitigation capabilities and broad access of an international financial institution as well as the strong origination and transaction execution skills of an experienced, nimble and well-connected investment team.

3.2.1 Structure

- **Model:** Private equity investment in infrastructure
- **Share capital allocation:** 90 percent of Africa50's authorised share capital
- **Investment ticket size per project:** US$20-40 million, but flexible on a case-by-case basis

3.2.2 Processes

Africa50-Project Finance believes it follows world-class investment processes with disciplined, commercial, data-driven and rigorous analytical investment decision-making. The team has, for example, developed a model portfolio, which provides visibility on the type of investments (by sector, etc.) that are expected to be consummated by Africa50. The model portfolio informs and influences the development of the deal pipeline and as Africa50 deploys capital, it continues to be populated with actual investments. This approach enables Africa50 to proactively manage risks and measure the impact of investment decisions based on factors such as returns, holding periods, and impact.

3.2.3 Impact

Africa50-Project Finance also actively seeks to create an impact in multiple ways.

Each investment is reviewed to ensure that it benefits the communities and countries where it is located in terms of employment, the environment, greater connectivity and similar factors.

Africa50 believes that there is a gap between the levels of actual and perceived risk in African infrastructure. This is exacerbated by the lack of a demonstrable track record of most investors for full cycle investments and exits. This tends to shut out cheaper sources of capital and compels investors to price capital at a higher level and often to "gold plate" their projects, so consumers or governments end up paying more.
Africa50-Project Finance believes that if investors routinely deploy capital and exit investments in Africa on a profitable basis, it would increase capital inflows and lower the cost of capital for future projects, bringing African projects into the investment mainstream, and reducing the need for additional risk mitigation.

3.2.4 Targeted Sub-Sectors

Africa50-Project Finance seeks to invest across the spectrum of core infrastructure which includes conventional and renewable power, midstream energy, information and communications technology (ICT), transport, water and waste management.

Midstream energy infrastructure is an important opportunity in Africa, which is not only a major producer of hydrocarbons but also a growing consumer of fuels. Paradoxically, many regions export hydrocarbons but must import expensive middle distillates for power generation, due to lack of downstream plants or pipelines. Investment in midstream infrastructure can reduce bottlenecks and allow communities to benefit from their local resources. Midstream infrastructure can also have a positive impact on the environment and quality of living. For example, installation of an offshore port or a floating LNG facility linked to a subsea pipeline can reduce port congestion and pollution. Such infrastructure also allows countries to move to cheaper fuels sources which benefits public sector budgets, consumers, and industry.

Transportation is another key enabler of economic growth. Africa50-Project Finance is actively seeking opportunities in well-structured and cost-effective projects such as ports, toll highways, bridges, and other public transportation infrastructure to meet the needs of Africa's growing population and improve regional and global transport links.

3.2.5 Committed Projects

In 2017, the first year of full operation of Africa50-Project Finance, one project, the Benban solar plants in Egypt, reached financial close. It was sourced from Africa50-Project Development.

3.2.6 Africa50-Project Finance Pipeline and Outlook for 2018

Africa50-Project Finance has a robust deal pipeline well-diversified by geography and sub-sector, with a couple of transactions in advanced execution stages.

"The Desert to Power programme will transform countries in the Sahel region by accelerating their access to energy through solar power. To realise this ambition, strong collaboration is needed. Therefore, the partnership with the Green Climate Fund and Africa50 is a great milestone and will help us deliver at scale."

Dr. Akinwumi Adesina, President of the African Development Bank

"Africa50 is about leveraging partnerships to contribute to the continent's growth through developing and funding high impact private and PPP infrastructure projects. This agreement allows us to leverage our project development capabilities and build a bigger pipeline of bankable projects that will provide millions of people and businesses on the continent with clean and affordable energy."

Alain Ebobissé, CEO of Africa50

The African Development Bank, the Green Climate Fund (GCF) and Africa50 signed a letter of intent to collaborate on the Desert to Power programme on 29 May 2018, on the sidelines of the African Development Bank's Annual Meetings, in Busan, South Korea.

Part Four: A Peek into the Future

"Africa cannot accumulate wealth merely by consuming technology produced elsewhere. The purpose of initiatives like Kigali Innovation City is to unlock value by better adopting technology to our economies and social context. The pressure is on, to catch up and to keep pace so that Africa is not left behind in the wave of technological progress."

H.E Paul Kagame,
President of the Republic of Rwanda

PART FOUR: A PEEK INTO THE FUTURE

4.1 Digital Cities: Transforming Urban Infrastructure

Digital cities or innovation cities are designed to provide an eco-system to foster innovation and growth. Typically, these hi-tech cities develop available human resource potential not only towards economic ventures but also provides for a cultural context that promotes entrepreneurship, creativity, and collaboration. There are several examples globally, ranging from Silicon Valley in the United States to tech cities in India, where favourable demographic indicators, backed by world-class infrastructure, has resulted in a multiplier effect, both in economic terms and in attracting creative talent. While the design and success of these cities is a factor of macroeconomic and human resource indicators, a critical success factor is the support and backing of the governments and related agencies.

4.1.1 Overview

Kigali Innovation City (KIC) is an Africa-focused innovation hub and a flagship initiative of the government of Rwanda. It is one of two planned techno-parks in East Africa, and is expected to house four international university campuses, several technology companies, biotech firms, commercial retail, and hotel spaces. The project has a total cost of about US $400 million, with a significant portion earmarked for private sector investment. This includes the development and financing of the Digital Innovation Precinct consisting of the technopark and commercial and residential spaces. Africa50 is considering a strategic investment in the project alongside the Rwanda Development Board as well as assisting financing efforts.

4.1.2 Country Overview and Rationale

Stable business environment: Rwanda, the newest shareholder and member of Africa50, boasts a stable business environment (it is ranked second in Africa in the World Bank's Doing Business report) and strong commercial potential. Its economy is forecasted to grow at 7.4 percent, driven by favourable demographics and foreign direct investment.

Ambitious proposition: KIC, part of the government's "Vision 2020", forms the core of Rwanda's drive for growth in technology and innovation. The public investment portion of the infrastructure build-out includes US$290 million in fibre optic infrastructure. KIC hopes to attract over 2,000 students and researchers from four universities: Carnegie Mellon University, African Leadership University, University of Rwanda, and the African Institute for Mathematical Sciences. It is expected to facilitate access to capital and expertise through the US$100 million Rwanda Innovation Fund and Technology Accelerators.

Significant official support: Africa50's CEO met with President Kagame in May 2018, who expressed his strong commitment to KIC. While KIC does not fit its traditional definition of infrastructure, Africa50, at its core, invests in Africa's growth—and KIC fits a broader infrastructure definition and is within the framework of creating and investing in private sector solutions adapted to the local economy. The initiative is expected to have a multiplier effect for both Rwanda and Africa at large, while showcasing Africa50's project development and financing expertise.

Development impact: The project is expected to bring in over US$150 million a year from ICT exports, create an ecosystem with enhanced economic opportunities, and graduate approximately 2,600 students over 30 years. The Smart Cities initiative hopes to create over 50,000 jobs a year and bring in over US$300 million in foreign direct investment, which should add to Rwanda's growing gross domestic product.

4.2 Africa's Energy Mix: Enabling the Transition

Although Africa is responsible for only 3–5 percent of worldwide greenhouse gas emissions, it suffers the full consequences of climate change, such as reduced rainfall and the depletion of soils and other natural resources. By 2030 the damage done by climate change could reach US$52–68 billion a year if nothing is done[12].

So it is fitting that Africa is the continent where renewable energy will be developed the most[13], due to growing demand, and abundance of renewable energy sources, and technological progress that reduces costs.

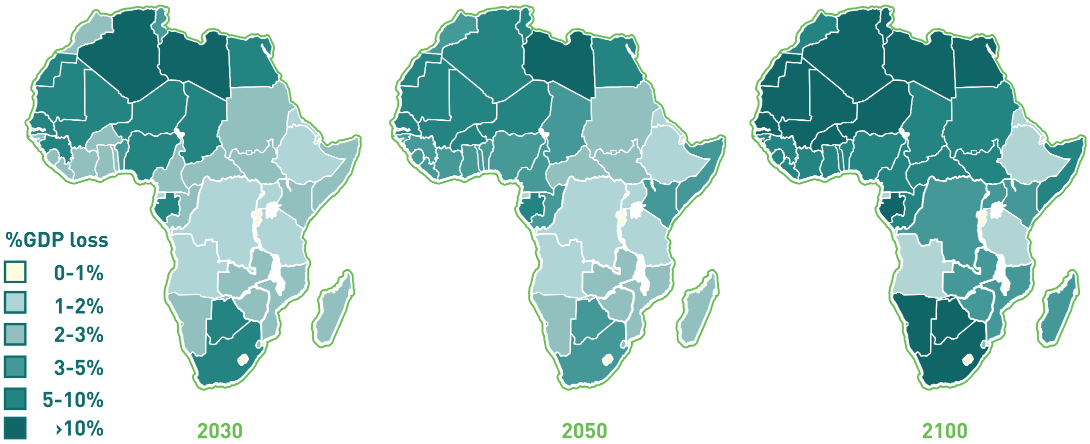
Like the European Union, which set the goal of a minimum of 27 percent renewable energy use by 2030[14], 41 of 54 African countries have set renewable energy goals in their development plans[15].

A large portion of energy used in Africa is fossil fuels. The continent has about 10 percent of the world's proven oil and gas reserves (with 90 percent concentrated in Algeria, Angola, Libya, Nigeria, and Southern Sudan), so fossil fuels will remain part of the energy mix in the short term[16].

With the population expected to double to more than 2 billion by 2050[17], growth in electricity demand is projected at 5–10 percent a year, depending on the country. This translates into an estimated demand of 280 gigawatts in 2030 and 700 gigawatts in 2050—a six-fold increase over the current installed capacity of 114 gigawatts[18].

12. SOURCE: Scope of Africa Green Fund (Africa Green Fund), African Development Bank, 2011.
13. SOURCE: Bloomberg New Energy Finance, 2016.
14. Resolution of the European Union Parliament on the 31 January 2008 on the action plan for energy efficiency (Article 2) states that "a target of improving energy efficiency by over 20 percent by 2020, in addition to any improvements due to autonomous structural or price effects, is entirely feasible technically and economically, and calls on the Commission and the Member States to ensure that this objective as well as the climate change targets are met."
15. SOURCE: IRENA, 2016.
16. SOURCE: Scope of Africa Green Fund (Africa Green Fund), African Development Bank, 2011.
17. SOURCE: IRENA, 2016.
18. SOURCE: World Energy Council, 2009.

Figure 4.1: The Economic Cost of Climate Change in Africa



Source: Based on the FUND model of the Adaptcost study of the Stockholm Institute for the environment[19].

4.2.1 The Promise of Renewables

Africa's enormous potential in renewable energy

Fortunately, Africa has significant renewable energy sources – solar, wind, hydroelectric, and geothermal (Table 4.1 and figure 4.2) – that can help it meet the challenges posed by demographic trends and diminishing fossil fuel reserves[20]. In fact, if fully exploited, these sources, which are the largest in the world, would allow Africa to eliminate its energy deficit[21] and ensure universal electricity access[22].

Table 4.1: Africa's potential in renewable energy:

Type of renewable energy	Potential
Solar energy	10 terawatts
Hydroelectricity	350 gigawatts
Wind Energy	110 gigawatts
Geothermal	15 gigawatts

Source: AfDB, 2016

19. SOURCE: Model developed by Richard Tol and David Anthoff.
20. According to African Development Bank estimates, Africa has 29 percent of wind reserves, 10 percent of hydroelectric reserves, and a large potential in solar power, notably from the Saharan Desert.
21. SOURCE: World Energy Council, 2010.
22. SOURCE: http://www.afdb.org/en/news-and-events/article/a-new-deal-on-energy-for-africa-power-potential-and-partnership-15310/

Figure 4.2: Distribution of Africa's renewable energy potential

Source: IRENA, 2013

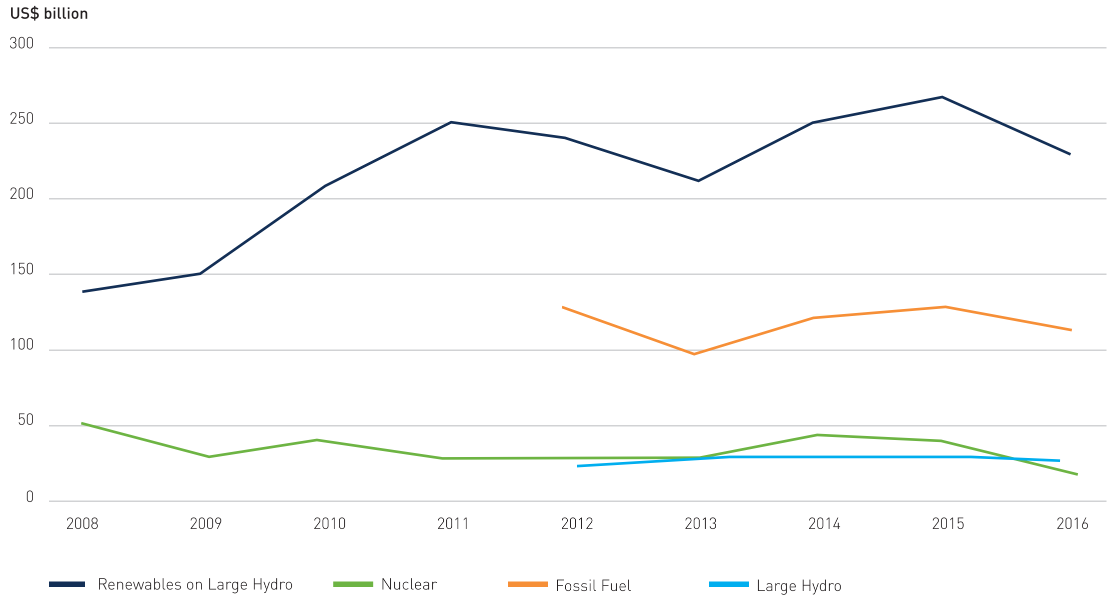
Increased Funding for Renewables

In 2017, investment in solar energy worldwide was higher than in all fossil fuels combined[23]. In 2016, investment in renewable energy reached US$242 billion (figure 4.3), six times the amount of 2004 and 54 percent of all added energy production[24].

The number of international initiatives in response to climate change has grown in recent years, led by the United Nations' Climate Change Conferences. In parallel DFIs, governments, and other organisations have started funds to promote renewable energy. These include the Green Climate Fund, the Global Environment Fund, the Clean Investment Fund, and the Sustainable Energy Fund for Africa, among others. Some have developed new financing instruments for renewable energy such as green bonds, which grew to US$95 billion in 2016.

This has resulted in a substantial increase in the number of renewable energy projects, aided by new and cheaper technology. For example, thanks to concentrated solar power, Morocco reduced the cost of its second solar project in 2017 (Noor Ouarzazate II) relative to its first project in 2012 by 27 percent, and increased storage capacity from five to seven hours. Moreover, construction times for wind and solar plants of nine and six months respectively, are much shorter than for traditional thermal plants.

Figure 4.3: Investment in Power Capacity – Renewable, Fossil-fuel and Nuclear



Source : Bloomberg New Energy Finance/ UNEP Global Trends in Renewable Energy Investment

23. SOURCE: http://fs-unep-centre.org/sites/default/files/communique_de_presse_gtr_2018_french.pdf.
24. SOURCE: http://fs-unep-centre.org/sites/default/files/publications/globaltrendsinrenewableenergyinvestment2016lowres_0.pdf

4.2.2 The Limits of Renewables in Africa

Despite the notable increase in renewable energy investment, which has grown from 5 percent of the worldwide energy mix in 2007 to 16 percent in 2016, energy from fossil fuels remains the foundation of energy consumption worldwide. Most demand for energy is based on cost, reliability, and speed, and conventional power generation remains more competitive than renewable energy in most cases.

This holds true for Africa, where fossil fuels will remain an important source for base-load consumption. In addition, several technical, economic, and institutional hurdles need to be overcome to speed up development of renewables.

Technical Factors

- **Long lifespans of existing facilities:** The power infrastructure of Africa is made up of fossil fuel plants whose lifespans range from 20 to 40 years, or 60 years for large hydroelectric facilities. This complicates an abrupt changeover to solar and wind farms.
- **Limited capacity factor of renewables:** Renewable energy sources have a limited capacity factor of 20–40 percent and are subject to meteorological conditions, reducing their reliability. They require a reliable back-up, base-load system.
- **Threat to grid stability:** The integration of renewable energy into existing grids constitutes a strain and may disrupt power output, notably due to the random and intermittent character of renewable energy. Integration can have a negative impact on the quality of energy provided, such as problems with voltage, frequency, and the overall stability of the electrical system.
- **Lack of absorption capacity:** Most African countries have outdated transmission and distribution grids, limiting absorptive capacity. Their technical shortcomings already account for significant energy losses, over 80 percent in the worst cases, compared to about 15 percent worldwide, and limit the integration of new, and possibly unstable, power sources[25].
- **Delicate balance between power sources:** Where existing grids are modern, stability is assured by a balance of renewable (about one third) and fossil fuel power (about two-thirds). A large increase in the renewable portion will cause instability, which necessitates automated smart grids. These are still lacking in many African countries where grids are managed manually. This may change as utility scale battery storage solutions become more affordable.

25. SOURCE: African Development Bank, 2016, Working Paper, Desert to Power Country Fact Sheets

Economic Factors

- **High costs of renewables:** Investment in renewable energy is increasing and becoming more competitive. However, certain technologies remain more expensive than thermal power, particularly once the associated costs of grid stabilisation are taken into account. This is an important factor in Africa, where investment of about US$50 billion a year is needed to establish universal access. African economies need to increase their capacity to leverage on the technological innovations that will help reduce the costs of renewable energy.
- **Difficulty of accessing climate funding:** Despite the existence of climate funds, numerous African countries are not successful in mobilising these resources since the conditions can be too demanding[26].

Institutional and Structural Factors

- **Public policy:** Among the 41 African countries that have included renewable energy targets in their development plans[27], only 12 actually have policies judged favourable to the development of renewable energy[28]. This limits investment.
- **Sector capacity:** One of the greatest challenges that Africa faces in developing renewable energy is its limited human resources capacity in the sector, particularly in countries considered "fragile" or recovering from war. Important steps to overcome this challenge include, among others, the development of Africa's intrinsic capabilities through career training in the fields of renewable energy and environmental protection, and the establishment of specialised schools in the energy domain.
- **Feasibility studies:** The lack of technical, economic, environmental, and social feasibility studies significantly holds back the development of renewable energy.

26. SOURCE: Success MASRA, Africa facing the challenges of the post-oil economy, 2016.
27. SOURCE: IRENA, 2016.
28. SOURCE: African Development Bank, 2014.

Africa50 is in a unique position to help the continent deal with these challenges, working with investors and governments during the entire project cycle to develop a pipeline of bankable, investment-ready energy projects, fund them and speed up implementation.

With over US$819 million dollars in committed capital, Africa50 deploys early stage risk capital and other needed resources through its Project Development arm to fund the crucial project development phase and mitigate early stage risks. And at later stages it leverages its equity to bring in other private and public investors, including development finance institutions.

As an African initiative with ownership by African countries as well as the African Development Bank, Africa50 can count on its shareholders' interest in steering projects to a successful conclusion.

This is particularly important for the regional energy solutions Africa needs, such as electric transmission lines and gas pipelines and other large-scale projects where investments needs transcend national boundaries and where the support of several governments must be mobilised.

Improving Africa's energy infrastructure is challenging, but it is also an important commercial opportunity, which investors are increasingly realising. Most governments are committed to improving power supply, since it is an essential multiplier for economic growth. By leveraging its pan-African funding and mandate and its privileged relations with development finance institutions and governments, Africa50 believes it can make it happen.

LOOKING AHEAD: MESSAGE FROM THE CEO

Africa50 was launched with a bold mission: to promote sustainable growth in Africa by significantly accelerating the development of infrastructure. The key building blocks of the organisation are now in place to help us achieve this goal.

Since I started in August 2016, we have brought in what we believe is a world class leadership team, signed three project agreements and become a partner in a major African Development Bank initiative to bring solar power to the Sahel region. We have developed a solid project pipeline, have put in place our fundraising strategy, and are attracting more shareholders. Soon we will have more than half of Africa's countries as shareholders.

We have been able to do this by building a strong foundation at our headquarters in Casablanca. All our administrative and legal structures are now in place and we have hired what we believe is a world-class team of infrastructure developers and financiers.

I am pleased to report that over the last twelve months one of the two projects we have been developing – a portfolio of six solar plants in Ben ban, Egypt – has reached financial close in record time and should be operational soon.

The six plants, which support Egypt's ongoing diversification of the power sector, are expected to produce about 900 gigawatt hours of power per year which would avoid 350,000 tons of CO2 emissions. They will supply much needed electricity to Egypt's people and is expected to create hundreds of jobs.

By acting as a project development and long-term equity partner and facilitating relations with the Government, Africa50 helped secure debt funding from five other development finance institutions. We are thankful to all our partners, especially the Egyptian government, an Africa50 shareholder, and Scatec Solar and Norfund, with whom we worked on this project.

Our other ongoing project with Scatec Solar and Norfund – the Nova Scotia solar power plant in Nigeria – is also progressing, with financial close expected later this year. We are once again acting as a project development and long-term equity partner, so far helping secure debt funding by three development finance institutions, including the African Development Bank.

In addition, at our shareholders meeting last September in Dakar, we signed an agreement with Senelec, Senegal's electricity provider, to select a sponsor for a 120-megawatt combined cycle thermal power plant. The plant, which is expected to produce at least 956 gigawatt hours a year, will initially run on fuel oil, but will be converted to natural gas when it becomes available from local gas fields. We are working to secure the project's debt financing and we will supervise construction and operations. The project fits in with Senegal's strategy to increase energy production while reducing the cost for consumers, as well as satisfying base load requirements to facilitate renewables development.

And finally, in late May we signed an agreement with the Green Climate Fund and the African Development Bank to collaborate on the Desert to Power Program. This initiative, led by the African Development Bank, aims to turn Africa's deserts into new sources of energy, developing 10,000 megawatts of solar power across the Sahel to serve 250 million people.

In addition to these projects, we are developing our project pipeline, especially in our priority sectors of energy, transport and ICT, which can have a transformative economic impact. Africa cannot industrialise and create jobs for its growing population without reliable, affordable energy. It cannot promote regional integration and fully profit from globalisation without adequate transportation, and it cannot accelerate the gains from information technology without expanded access to high-speed internet.

To further scale up our activities we need to grow our capital base. We are presently onboarding two new shareholder countries, which will bring us to half of all African countries. More are likely to join over the next year. This will expand our capital beyond the current US$819 million.

It is clear that more infrastructure projects will be implemented in Africa if the private sector participates, which is at the core of our mission. Private capital is available, we just have to create the environment and provide the comfort investors seek to commit their funds.

To do this, we have a comparative advantage over similar funding platforms.

One of our chief advantages is having a sovereign shareholder base and the African Development Bank as our anchor shareholder. This allows us to act as a bridge between our member governments and private investors to better manage the public-private relationship, lessen political and regulatory risks, and speed up project development. It also allows us to leverage the products and convening power of the African Development Bank and gives us favourable access to deal flow.

Another advantage is our integrated approach, with the ability to deploy capital into both project development and project finance. This enables us to function like a one-stop shop throughout the lifecycle of a project, including in the crucial early stage development phase.

And finally, we are a small, nimble organisation with a private sector approach. This gives us the flexibility to adapt to changing public and private sponsor needs and, most of all, to respond quickly.

We have been able to demonstrate this in our investment portfolio to date and will continue to do so as we develop our project pipeline.

Going forward, Africa's infrastructure needs will continue to grow faster than governments can mobilise financial resources to meet them. This means crowding-in private investment which, in turn, requires bankable projects.

To create these, governments must consistently implement policies structuring bankable sectors, with reliable, solvent counterparties such as utilities. Investors need to be assured that they can recover their costs and earn a return commensurate with risks, which must be allocated in a transparent and equitable manner. Governments also need to improve their capacity to negotiate PPPs, and make the entities implementing them more efficient.

The game changer will occur when enough public and private sector stakeholders realise that the opportunity cost of delayed project implementation is too high. We must understand that it is in everyone's interest to bring projects to financial close and operations as quickly as possible. Investors get a fair return, citizens get services, and governments can highlight their positive enabling environment to attract additional investment.

Never have investors been more willing to back African infrastructure projects than they are today. However, this can only happen if more resources are deployed to identify the right projects, to convene the right stakeholders, to mitigate the risks, and to overcome the regulatory hurdles to allow projects to reach financial close. This is at the heart of Africa50's mission and we stand ready to help. It's time to give Africa and Africans the infrastructure they deserve and need.

Alain Ebobissé

LEADERSHIP

Board of Directors

Akinwumi Adesina

Chairman of the Board
President, African Development Bank

Félicité Célestine Omporo-Enouany

Advisor in charge of Economic Relations and International Financial Institutions, State Ministry of Economy, Industrial Development and Private Sector Promotion, Congo Republic

Charles O. Boamah

Senior Vice President,
African Development Bank

Mohamed Hammam

Former Assistant to the Minister of International Cooperation, Egypt

Nouaman Al Aissami

Deputy Director, in charge of Financial Sector Pole, Treasury & External Finance Department, Ministry of Finance, Morocco

Amadou Kane

President, AKA Associates,
Former Finance Minister, Senegal
Former Africa and Indian Ocean Regional Area Manager, BNP Paribas Group Former President and CEO, BICIS Bank, Senegal

Henri Rabarijohn

Chairman,
BNI Madagascar Bank

Senior Leadership Team

Alain Ebobissé

Chief Executive Officer
Africa50

Carole Wainaina

Chief Operating Officer
Africa50

Koffi Klousseh

Director of Project Development
Africa50-Project Development

Raza Hasnani

Head of Infrastructure
Investments, Africa50
Project Finance

Kimberly Heimert

General Counsel
Africa50

Eric Ouedraogo

Chief Financial Officer
Africa50

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AFRICA50 – PROJECT DEVELOPMENT

INDEPENDENT AUDITORS' REPORT AFRICA 50 - PROJECT DEVELOPMENT

Year ended December 31, 2017

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Morocco

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AFRICA50 – PROJECT DEVELOPMENT

Registered office :
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20 000 Casablanca
Morocco

Independent Auditors' Report Africa 50 - Project Development

Year ended December 31, 2017

Opinion

We have audited the accompanying financial statements of Africa50 – Project Development ("the Entity") which comprise the balance sheet as at December 31, 2017 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2017 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.

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.

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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, July 2nd 2018
KPMG S.A.

Valéry Foussé
Partner

AFRICA50 – PROJECT DEVELOPMENT

FINANCIAL STATEMENTS

As at December 31st 2017(USD)

BALANCE SHEET

AS AT DECEMBER 31ST 2017(USD)

ASSETS	Note	31/12/2017	31/12/2016
Cash equivalents	C1	2,983,056	2,953,829
Accrued interest on cash equivalents	C2	305	1,168
Other receivables		3,148	–
Various creditors	C3	20,219,723	19,424,197
Other Assets	C4	315,050	0
TOTAL ASSETS		**23,521,282**	**22,379,193**

LIABILITIES	Note	31/12/2017	31/12/2016
Accounts payable		49,600	2,438
Equity		23,471,682	22,376,756
Paid-up capital	C5	23,582,971	22,457,976
Profit (loss)		-30,068	45,182
Reserves and retained earnings		-81,220	-126,402
TOTAL LIABILITY		**23,521,282**	**22,379,193**

The accompanying notes to the financial statements form part of this statement

INCOME STATEMENT

AS AT DECEMBER 31ST 2017(USD)

	Note	31/12/2017	31/12/2016
Net income from operations of projects sold		1,779,790	–
Revenue from sold projects	C6	7,206,232	–
Cost price of sold projects		- 5,426,442	–
Net income on currents projewcts operations		-453,077	–
Expenses incurred, provisionned	C8	-453,077	-33,607
Result of investment activities		254,508	277,088
Administrative expenses	C7	-1,611,289	-198,300
TOTAL		**-30,068**	**45,181**

The accompanying notes to the financial statements form part of this statement

STATEMENT OF COMPREHENSIVE INCOME

AS AT DECEMBER 31ST 2017(USD)

ASSETS	31/12/2017	31/12/2016
Net profit for the year	-30,068	45,181
Other items of the comprehensive income	–	–
Items that will not be classified to profit or loss	–	–
Total of other items of the comprehensive income	–	–
TOTAL COMPREHENSIVE INCOME	**-30,068**	45,181

The accompanying notes to the financial statements form part of this statement

STATEMENT OF CASH FLOWS

AS AT DECEMBER 31ST 2017(USD)

	31/12/2017	31/12/2016
Cash flows from		
Operating activities		
Net profit of the year	-30,068	45,181
Adjustments to reconcile the revenue to the net resources generated by the operational activities	-315,050	
Investing activities		
Financial investments	-305	-1,168
Change in other receivables and payables	-750,344	-3,968,661
Financing activities		
Cash from capital subscriptions	1,124,995	3,948,439
Increase in cash	29,227	23,791
Cash at the beginning of period	2,953,829	2,930,037
CASH AT THE END OF PERIOD	**2,983,056**	**2,953,829**

The accompanying notes to the financial statements form part of this statement

STATEMENT OF CHANGES IN CAPITAL

AS AT DECEMBER 31ST 2017(USD)

	Capital subscription paid	Retained earnings	Net income (loss)	Total equity
As at December 31st 2016	22,457,976	-126,402	45,182	22,376,755
Result	–	45,182	-45,182	–
Paid-up common stock	1,124,995	–	–	1,124,995
Net income (loss)	–	–	-30,068	-30,068
As at December 31st 2017	23,582,971	-81,220	-30,068	23,471,682

The accompanying notes to the financial statements form part of this statement

AFRICA 50 – PROJECT DEVELOPMENT

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31ST 2017(USD)

Note A – Mission, operations and organization

Africa 50 – Projects Development (AFRICA50-PD) is a financial company with a special legal status, an authorized share capital amounted to 500 000 000 USD and a subscribed capital of 85 063 000 USD.

AFRICA50- PD is an African multilateral institution of development whose mission is to:

i. Identify and develop infrastructure projects to support sustainable economic development in Africa on both national and regional levels, by investing money in the initial phase of the project development cycle of projects and harnessing new sources of capital for infrastructures financing in Africa;

ii. Identify and recruit top-notch experts (including those of the engineering, finance, economics, law, environmental and social sectors) to work in cooperation with African governments and private investors in order to shorten development project cycles and maximize the chances of success of development projects,

iii. Mobilize necessary political support to initiate the reforms required to ensure the operational, financial and economic viability of investment, and reduce the risk of project development and implementation delays,

iv. Conclude agreements and arrangements with any government, municipality or other local entity or party that might work towards enabling Africa 50 – PD to carry out any activity related to its mission; obtain from these authorities or entities all rights, privileges and exemptions that Africa 50 – PD might deem necessary to initiate, implement and comply with the term of such arrangements, rights privileges and exemptions,

v. Provide technical assistance and advisory services for the assessment, preparation and implementation of infrastructure projects located in Africa,

vi. Borrow and raise funds, issue securities, obligations, bonds, guarantees and other instruments, as well as provide guarantees and other commitments to third parties,

vii. Hold investments of all types (including, but not limited to, investments in securities, stocks and bonds),

viii. Obtain any administrative or legislative document that would allow Africa50 – PD to properly fulfill its mission or make any amendment to its statutes or for any other purpose which may seem expedient, and help to prevent any process or measure that could directly or indirectly undermine the interests of Africa50 – PD and,

ix. More broadly, make any deals or indirectly related to the aforementioned operations in order to facilitate, promote and develop the activities of Africa50 – PD.

The lifespan of Africa50 – Projects Development is 99 years.

Note B – Summary of significant accounting policies

The financial statements of Africa50 – Projects development are established in accordance with the International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB). The financial statements were established based on the historical cost, except for some assets and financial liabilities that are recorded with their fair value, depending on the situation.

The significant accounting principles used by Africa50 – PD for the establishment of the financial statements are summarized below.

Recognition of revenue

The revenue from investments is based upon the effective interest rate and the duration of detention by Africa50 – PD of the income generator instrument. The effective interest rate is the one that actualizes the estimated cash flows throughout the expected lifespan of the financial asset at its net carrying amount.

The revenue from investments includes realized and unrealized gains and losses on financial instruments at fair value through P&L.

Functional and accounts presentation currency

The US Dollar is the functional and accounts presentation currency.

Expenses and advantages to the personnel

1) Staff expenses
Africa 50 – PD and Africa 50 – PF together count 6 employees as of December 31st 2017.

2) Health care and Retirement benefits
Africa 50's employees receive a monthly allowance to cover health care and retirement cots.

Financial instruments

The financial assets and liabilities are recorded in the balance sheet of Africa50 – PF when the company assumes all contractual rights and obligations related to them.

Recognition and derecognition of financial assets

The purchases and sales of financial assets are recorded on the base of the transaction date, which means the date at which Africa50 – PD commits to buying or selling the asset. Loans, when granted, are recorded once the funds are transferred to borrowers. The financial assets non-evaluated at their fair value in exchange for a result are initially recorded at their fair value, plus transaction costs.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when Africa 50 – PD has transferred substantially all risks and rewards of ownership.

Critical accounting judgments and key sources of estimation uncertainty

In the preparation of financial statements in conformity with IFRS, Management makes certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Segment and geographical informations

Given the current launch phase of the fund, the entire activity is based in Casablanca. A first investment was made through various holding companies for a development project in North Africa. The area of intervention of the fund is concentrated in Africa.

Event after the Balance sheet date

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative to conditions that arose after the balance sheet date are disclosed under notes to the financial statements but do not result in an adjustment of the financial statements.

Standards, amendments and interpretations of which the application is mandatory from January 1st 2018 or at a later date and which have not been applied in advance by Africa50 – PD

The following new standards issued by the IASB could have an impact on Africa50 – PD in the future. The Company is currently assessing the impact of these standards on its financial statements.

New standards or interpretations	**Date of application**
IFRS 15 – Revenue from contracts with customers	*Fiscal years beginning on January 1st, 2018*
IFRS 9 – Financial instruments	*Fiscal years beginning on January 1st, 2018*
Amendments to IAS 40 – Investment property	*Fiscal years beginning on January 1st, 2018*
IFRIC 22 Interpretation – Foreign currency transactions and advance payments	*Fiscal years beginning on January 1st, 2018*
IFRS 16 – Leases	*Fiscal years beginning on January 1st, 2018*

IFRS 9 Financial instruments

The effects of the application of IFRS 9 on financial instruments (investments and loans) are currently being analyzed.

Africa50 - PD has not identified any significant impact at this stage given the outstanding amounts at the end of 2017.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 which provides a comprehensive model for the presentation of leases and their treatment in the financial statements of lessees and lessors. This standard supersedes IAS 17 Leases and its related interpretative guidance.

Significant changes have been made to the accounting policies that apply to lessees, including the elimination of the distinction between operating lease and finance lease and the recognition of assets and liabilities for all leases (subject to limited exceptions for short-term contracts and contracts with underlying assets of low value). In contrast, IFRS 16 does not contain.

any material changes to the lessor requirements. IFRS 16 comes into effect on January 1, 2019, and early adoption is permitted for companies that have also adopted IFRS 15 Revenue from Contracts with Customers. Africa50 - PD is currently evaluating the impact of IFRS 16 on its financial statements.

Note C – Accounting notes

C.1. Cash equivalent

The essential of immediate cash equivalent of Africa50- PD originates from the release of called-up common stock by the member countries. This release of common stock has permitted placement investments in treasury in certain banks generating 254 204 USD of collected interest.

Apart from a BMCE bank account dedicated to Africa50- PD, the availabilities of Africa50- PD have been managed commonly with its sister structure Africa50- PF. The revenues have been dispatched between the two entities at the pro rata of the outstanding amounts available for placement for each structure.

The cash equivalent at December 31st 2017 is broken down as follows:

Bank (USD)	2017	2016
BMCE PD	2,983,056	2,953,629
TOTAL	2,983,056	2,953,629

C.2. Accrued interests on cash investments

Interest accrued as at December 31st, 2017 on cash investments is 305 USD and is as follows:

Bank (USD)	2017	2016
BMCE	305	1,168
TOTAL	305	1,168

C.3. Various Creditors

Other receivables amount to 20 219 723 USD and correspond to the receivable Africa50 - FP including:

For 22 675 236 USD the share of the investments going to Africa50 - DP and managed by Africa50-FP. Revenues were divided between the two entities in proportion to average outstanding amounts available for investment for each structure.

For 2 455 513 USD, re-invoicing of Africa50 - FP to Africa50 - DP for expenses and revenues of 2017.

C.4.Other Assets

	Gross value	Amortization/ depreciation	Net value 2017	Net value 2016	Variation
Current projects	768,128	453,078	315,050	-	315,050
Abandoned	-	-	-	-	-
TOTAL	**768,128**	**453,078**	**315,050**	-	**315,050**

Expenses incurred on equity or investment projects correspond directly to projects that the Fund has studied during the year, whether the project is completed, under study or abandoned. All costs related to abandoned projects are impaired, those related to current projects are subject to a case-by-case analysis to measure the perspectives of sale or recovery.

The amount of 315,050 USD corresponds to expenses incurred that have not been depreciated given the expectations of success made by the Management
at closing.

C.5. Shareholder equities

The social capital authorized according to the statutes of Africa50- PD is 500,000,000 USD.

The subscribed capital sums up to 85,063,000 USD while the called-up and released capital sum up to 23,582,971 USD.

			2017	2016	Variation
Shareholders (28)	Shares	Suscribed Capital	Paid-up Capital	Paid-up Capital	
1. African Development Bank	14,657	14,657,000	2,928,537	2,928,537	-
2. Benin	464	464,000	116,000	116,000	-
3. Cameroon	5,000	5,000,000	1,249,985	1,249,985	-
4. Congo Brazzaville	18,666	18,666,000	4,666,500	4,666,500	-
5. Ivory Coast	2,999	2,999,000	749,750	749,750	-
6. Djibouti	300	300,000	75,000	75,000	-
7. Egypt	10,000	10,000,000	2,500,000	2,500,000	-
8. Gabon	866	866,000	216,500	216,500	-
9. Gambia	100	100,000	25,000	25,000	-
10. Ghana	1,961	1,961,000	490,250	490,250	-
11. Madagascar	1,000	1,000,000	746,931	502,335	244,596
12. Malawi	200	200,000	50,000	50,000	-
13. Mali	203	203,000	50,750	50,750	-
14. Kingdom of Morocco	10,000	10,000,000	2,500,000	2,500,000	-
15. Mauritania	1,011	1,011,000	252,750	252,750	-
16. Republic of Niger	199	199,000	49,750	49,750	-
17. Nigeria	4,000	4,000,000	1,000,000	1,000,000	-
18. Senegal	1,000	1,000,000	250,000	250,000	-
19. Sierra Leone	200	200,000	50,000	50,000	-
20. Sudan	2	2,000	500	500	-
21. Togo	1,927	1,927,000	481,750	481,750	-
22. Kenya	5,809	5,809,000	1,832,643	1,452,705	379,938
23. Burkina Faso	299	299,000	74,750	74,750	-
24. BCEAO (central bank of the states of west africa)	500	500,000	500,000	500,000	-
25. BAM(Bank al maghrib)	2,000	2,000,000	2,000,000	2,000,000	-
26. Tunisia	1,000	1,000,000	500,625	225,164	275,461
27. Republic Democratic of Congo	200	200,000	100,000	-	100,000
28. Guinea (Conakry)	500	500,000	125,000	-	125,000
TOTAL	85,063	85,063,000	23,582,971	22,457,976	1,124,995

C.6. Revenues from investments

Revenue consists primarily of interest earned on investments managed by Africa 50-PF on behalf of Africa 50-PD for 254 054 USD.

In addition, Africa50 - DP recorded proceeds of 7 206 232 USD related to divestment income received from the transfer of equity securities of an Africa50 - FP project to Africa50 - DP. This transaction resulted in a net income of 1.8 million USD

C.7. Administrative expenses

The total administrative expenditure of Africa50 - DP is 1 611 289 USD divided as follows:

- An amount of 1 567 375 USD corresponding to administrative expenses reinvoiced at 20% of common expenses by Africa 50 - FP.
- Direct charges amounting to 43 913 USD.

C.8. Project expenses

The project expenses correspond to the sums committed (consultants, missions, specialists, etc.) during the year for the research and study of investment projects, whether it is equity investments or direct financing.

Project expenditure for the 2017 financial year breaks down as follows:

	2017	2016	Variation
Expenses on current projects	453,078	33,607	419,471
TOTAL	453,078	33,607	419,471

C.9. Employees

Africa 50 – PD and Africa 50 – PF together count 6 employees as of December 31st 2017.

C.10. Risk management

During the year 2017, the fund has mainly continued to invest in term accounts in commercial banks in Morocco or in Africa.

With its daily transactions, the company can face certain risks.

- **Currency risk**
  Currency risk is the risk that the value of an instrument will fluctuate in USD owing to changes in foreign exchange rates. In order to limit this risk, most of the company accounts are in USD, with the exception of one account in euros and another one in MAD which are used for current expenses.

- **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 current investment portfolio is solely made of term accounts Only future revenues could be impacted by the evolution of the rate.

- **Credit risk**
  Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation, and cause the fund incur a financial loss. The company has diversified its portfolio of its counterparty in order to limit this risk.

Sensitivity analysis

As of December 31st 2017 all transactions of Africa 50 – PD are in USD.

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AFRICA50 – PROJECT FINANCE

INDEPENDENT AUDITORS' REPORT AFRICA 50 - PROJECT FINANCE

Year ended December 31, 2017

Allée des Abricotiers,
Quartier Hippodrome
20 000 Casablanca,
Morroco

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 FINANCE

Registered office :
Allée des Abricotiers
Quartier Hippodrome
20 000 Casablanca
Morocco

Independent Auditors' Report Africa 50 - Project Finance

Year ended 2 July 2018

Opinion

We have audited the accompanying financial statements of Africa 50 – Project Finance ("the Entity") which comprise the balance sheet as at December 31, 2017 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2017 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 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, July 2nd 2018
KPMG S.A.

Valéry Foussé
Partner

AFRICA50 – PROJECT FINANCE

FINANCIAL STATEMENTS

As at December 31st 2017(USD)

BALANCE SHEET

AS AT DECEMBER 31ST 2017 (USD)

ASSETS	Note	31/12/2017	31/12/2016
Cash	C1	9,844,296	1,021,807
Cash equivalents	C2	208,769,065	219,328,387
Accrued interest on cash equivalents	C3	336,536	368,849
Other receivables	C4	1,712,316	88,745
Fixed asset	C5	1,089,063	216,760
Equity interests & financing	C6	7,206,332	–
TOTAL ASSETS		**228,957,607**	**221,024,549**

LIABILITIES	Note	31/12/2017	31/12/2016
Accounts payable	C7	1,454,297	941,381
Other payable	C8	20,219,723	19,424,197
Equity		207,283,588	200,658,971
Paid-up capital	C9	210,893,905	200,768,952
Profit (loss)		-3,500,336	841,290
Reserves and retained earning		-109,981	-951,271
TOTAL LIABILITY		**228,957,607**	**221,024,549**

The accompanying notes to the financial statements form part of this statement

INCOME STATEMENT

AS AT DECEMBER 31ST 2017(USD)

	Note	31/12/2017	31/12/2016
Financial products	C10	3,176,537	2,597,833
Net income on currents projects operations		–	–
Expenses incurred, provisionned	C12	412,066	39,995
Administrative expenses	C11	6,264,807	1,716,548
TOTAL		-3,500,336	841,290

The accompanying notes to the financial statements form part of this statement

STATEMENT OF COMPREHENSIVE INCOME

AS AT DECEMBER 31ST 2017(USD)

	31/12/2017	31/12/2016
Net Profit for the year	-3,500,336	841,290
Other items of the comprehensive income	–	–
Items that will not be classified to profit or loss	–	–
Total of other items of the comprehensive income	–	–
TOTAL COMPREHENSIVE INCOME	**-3,500,336**	841,290

The accompanying notes to the financial statements form part of this statement

STATEMENT OF CASH FLOWS

AS AT DECEMBER 31ST 2017(USD)

	31/12/2017	31/12/2016
Cash flows from		
Operating activities		
Net profit of the year	-3,500,336	841,290
Equity investments	-7,206,332	–
Investing activities		
Financial Investments	10,559,323	-37,719,848
Change in other receivables and payables	-282,816	2,577,676
Acquisition of fixed assets	-872,303	-216,760
Financing activities		
Cash from capital subscriptions (Note C5)	10,124,953	35,035,203
Increase in cash (Note C1)	8,822,489	517,561
Cash at the beginning of period	1,021,807	504,248
Cash at the end of period	**9,844,296**	**1,021,807**

The accompanying notes to the financial statements form part of this statement

STATEMENT OF CHANGES IN CAPITAL

AS AT DECEMBER 31ST 2017(USD)

	Capital subscription paid	Retained earnings	Net income (loss)	Total equity
As at December 31st 2016	200,768,952	-951,271	841,290	200,658,971
Result	–	841,290	-841,290	–
Paid-up common stock	10,124,953	–	–	10,124,953
Net income (loss)	–	–	-3,500,336	-3,500,336
As at December 31st 2017	210,893,905	-109,981	-3,500,336	207,283,588

The accompanying notes to the financial statements form part of this statement

AFRICA 50 – PROJECT FINANCE

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31ST 2017(USD)

Note A – Mission, operations and organization

Africa 50 – Project Finance (Africa50 - PF) is a financial company with a special legal status, authorized share capital amounted to 3 000 000 000 USD and a subscribed common stock of 733 688 000 USD.

Africa50 - PF is an African multilateral institution of development whose mission is to:

i. Promote the development of infrastructures in Africa with the help of the funding obtained from different sources, including but not limited to subscriptions of capital, loans and donations from African or non-African origins,

ii. In association with multilateral investors, private or public, provide assistance for the funding of construction, rehabilitation, the improvement or expansion of financially and economically viable infrastructure projects, by providing the debt and investing in shares with or without governmental or state reimbursement guarantees in the states in which the investment is realized,

iii. Engage an activity as a financial backer, by itself or in partnership with the African Development Bank or any other financial institution, through the granting of loans or any other form of financial aid,

iv. Conclude agreements and arrangements with any government, municipality or other local entity or party that might work towards enabling Africa 50 – PF to carry out any activity related to its mission; obtain from these authorities or entities all rights, privileges and exemptions that Africa 50 – PF might deem necessary to initiate, implement and comply with the term of such arrangements, rights privileges and exemptions

v. Provide technical assistance and advisory services for the assessment, preparation and implementation of infrastructure projects located in Africa,

vi. Borrow and raise funds, issue securities, obligations, bonds, guarantees and other instruments, as well as provide guarantees and other commitments to third parties,

vii. Hold investments of all types (including, but not limited to, investments in securities, stocks and bonds),

viii. Obtain any administrative or legislative document that would allow Africa50 – PF to properly fulfill its mission or make any amendment to its statutes or for any other purpose which may seem expedient, and help to prevent any process or measure that could directly or indirectly undermine the interests of Africa50 – PF and,

ix. More broadly, make any deals or indirectly related to the aforementioned operations in order to facilitate, promote and develop the activities of Africa50 – PF.

The lifespan of Africa50 – Project Finance is 99 years.

Note B – Summary of significant accounting policies

The financial statements of Africa50 – Project Finance are established in accordance with the International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standards Board (IASB). The financial statements were established based on the historical cost, except for some assets and financial liabilities that are recorded with their fair value, depending on the situation.

The significant accounting principles used by Africa50 – PF for the establishment of the financial statements are summarized below.

Recognition of revenue

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The revenue from investments includes realized and unrealized gains and losses on financial instruments at fair value through P&L.

Functional and accounts presentation currency

The US Dollar is the functional and reporting currency.

Expenses and benefits related to the personnel

1) Staff expenses
   Africa50 – PF and Africa50 - PD together count 6 employees as of December 31st 2017.

2) Health care and Retirement benefits
Africa50's employees receive a monthly allowance to cover health care and retirement costs.

Financial instruments

The financial assets and liabilities are recorded in the balance sheet of Africa50 – PF when the company assumes all contractual rights and obligations related to them.

Recognition and derecognition of financial assets

The purchases and sales of financial assets are recorded based on the transaction date, which means the date at which Africa50 – PF commits to buying or selling the asset. Loans, when granted, are recorded once the funds are transferred to borrowers. The financial assets non-evaluated at their fair value in exchange for a result are initially recorded at their fair value, plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where Africa50 – PF has transferred substantially all risks and rewards of ownership.

Critical accounting judgments and key sources of estimation uncertainty

In the preparation of financial statements in conformity with IFRS, Management makes certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The fair value of financial assets and liabilities

Under IFRS 13, "Fair Value Measurement", fair value (or market value) is the price that would be obtained on the sale of an asset or paid on the transfer of an obligation under a regular transaction between market participants.

The fair value of an asset or liability is calculated on the basis of the assumptions that would be used by market participants to value that asset or liability, assuming that they are acting in their best economic interests.

The fair value measurement of a non-financial asset takes into account the ability of a market participant to obtain the economic benefits of that asset if it used it optimally or sold it to another market participant who would use it optimally.

Africa50 - FP uses valuation techniques that are appropriate to the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable data and limiting the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified in the fair value hierarchy (see below) based on the lowest-level data that is significant for fair value taken as a whole:

- Level 1 – price (unadjusted) achieved by identical assets or liabilities in active market
- Level 2 – valuation techniques for which the lowest level data that is significant for fair value is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level data that is significant for fair value is not observable.

<table>
<tr><th colspan="2">Investments in projects</th><th>% of detention</th><th>Category</th><th>Fair value hierarchy</th><th>Fair value</th><th>Cost price USD</th><th>Gap</th></tr>
<tr><td colspan="8">Equity interests</td></tr>
<tr><td colspan="2">Infra-holdco 1</td><td>100.00%</td><td rowspan="2">Fair value</td><td>3</td><td rowspan="2">$7,206,332</td><td rowspan="2">$7,206,332</td><td rowspan="2">$0</td></tr>
<tr><td></td><td>Project 1</td><td>25%</td><td>3</td></tr>
<tr><td colspan="6">Total of equity interests</td><td>$7,206,332</td><td></td></tr>
<tr><td colspan="8">Loans and receivables</td></tr>
<tr><td colspan="2">Infra-holdco 1</td><td>100.00%</td><td rowspan="2">Fair value / Amortized cost</td><td rowspan="2"></td><td rowspan="2">$1,287,163</td><td rowspan="2">$1,287,163</td><td rowspan="2">$0</td></tr>
<tr><td></td><td>Project 1</td><td>25%</td></tr>
<tr><td colspan="6">Total of loans and receivables</td><td>$1,287,163</td><td></td></tr>
</table>

Depreciation of financial assets

In the case of financial assets that are not classified at their fair value through profit or loss, Africa50 - FP determines, at the end of each reporting period, whether there 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

Segment and geographical informations

Given the current launch phase of the fund, the entire activity is based in Casablanca. A first investment was made through various holding companies for a development project in North Africa. The area of intervention of the fund is concentrated in Africa.

Event after the Balance sheet date

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date.

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Standards, amendments and interpretations of which the application is mandatory from January 1st 2018 or at a later date and which have not been applied in advance by Africa50 – FP

The following new standards issued by the IASB could have an impact on Africa50 - FP in the future. The Company is currently assessing the impact of these standards on its financial statements.

New standards or interpretations	Date of application
IFRS 15 – Revenue from contracts with customers	*Fiscal years beginning on January 1st, 2018*
IFRS 9 – Financial instruments	*Fiscal years beginning on January 1st, 2018*
Amendments to IAS 40 – Investment property	*Fiscal years beginning on January 1st, 2018*
IFRIC 22 Interpretation – Foreign currency transactions and advance payments	*Fiscal years beginning on January 1st, 2018*
IFRS 16 – Leases	*Fiscal years beginning on January 1st, 2018*

IFRS 9 Financial instruments

The effects of the application of IFRS 9 on financial instruments (investments and loans) are currently being analyzed.

Africa50 - FP has not identified any significant impact at this stage given the outstanding amounts by the end of 2017.

IFRS 16 Leases

On January 13, 2016, the IASB issued IFRS 16 which provides a comprehensive model for the presentation of leases and their treatment in the financial statements of lessees and lessors. This standard supersedes IAS 17 Leases and its related interpretative guidance.

Significant changes have been made to the accounting policies that apply to lessees, including the elimination of the distinction between operating lease and finance lease and the recognition of assets and liabilities for all leases (subject to limited exceptions for short-term contracts and contracts with underlying assets of low value). In contrast, IFRS 16 does not contain any material changes to the lessor requirements. IFRS 16 comes into effect on January 1, 2019, and early adoption is permitted for companies that have also adopted IFRS 15 Revenue from Contracts with Customers. Africa50 - FP is currently evaluating the impact of IFRS 16 on its financial statements.

Note C – Accounting notes

C.1. Cash at banks

The cash at December 31st 2017 breaks down as follows:

Bank (USD)	2017	2016
ATTIJARIWAFABANK	667	667
BMCE MAD	216,631	241,846
BMCE EURO	2,424	2,424
BMCE USD	9,591,486	776,053
BMCE 780	32,152	–
Caisse	936	818
TOTAL	**9,844,296**	**1,021,808**

C.2. Investments

The main resource of Africa50 - PF is the common stock paid by the member countries. This cash was invested in several banks, in term deposit with a maturity of 6 months maximum and generated 3 376 890 USD of interests.

Treasury investments at December 31st 2017 are broken down as follows:

Bank (USD)	2017	2016
Attijariwafabank – Maroc	32,808,524	32,520,955
PTA Bank	52,712,716	51,325,233
Afreximbank Caire	51,942,772	50,999,919
BMCE 747 - Maroc	56,280,104	46,444,486
BMCE 902	15,024,948	–
TOTAL	**208,769,064**	**181,290,594**
Current Account AF50 – DP	-20,219,723	-19,424,197
TOTAL	**188,549,341**	**161,866,397**

The cash of Africa50 - FP was managed commonly with its sister structure Africa50 – DP. Accordingly, the revenues have been dispatched between the two entities prorate of the outstanding amounts available for placement for each entity.

C.3. Accrued interest on investments

The accrued interests as at December 31st 2017 amount to 336 536USD and are broken down as follows:

Bank (USD)	2017	2016
PTA Bank	119,209	90,745
Afreximbank Caire	207,050	225,391
BMCE	7,284	32,441
ATW	2,993	11,902
TOTAL	**336,536**	**360,480**

C.4. Other receivables

It's about:

- VAT accounts, various creditors and prepaid expenses up to 425 153 USD
- Current accounts with the holding company of Project 1 for an amount of 1 287 163 USD

C.5. Fixed assets

	Gross Value	Amortization/ Depreciation	Net Value 2017	Net Value 2016	Variation
IT equipment	52,156	-11,582	40,574	11,782	28,792
Assets on New office	650,469	–	650,469	122,577	527,892
Deposits and guarantees paid	103,330	–	103,330	82,401	20,929
New office Furnitures	928	-137	791	–	791
New office Technical equipment	277,953	-33,103	244,850	–	244,850
New office Others	54,753	-5,703	49,050	–	49,050
Expenses incurred on projects	412,066	-412,066	–	–	–
-Current projects	412,066	-412,066	–	–	–
-Past projects	–	–	–	–	–
TOTAL	**1,551,655**	**-462,591**	**1,089,064**	**216,760**	**872,303**

Assets are amortized according to the straight-line method based on the estimated useful lifetime. Amortizations' lifetimes are presented in the table below:

IT Equipment	3 years
Technical Equipment	3 years
Office furniture	5 years
Transport equipment	4 years

The fees incurred on projects correspond to all the amounts directly related to projects reviewed by the fund over the period both current and abandoned projects. All amounts are recorded as expenses when committed.

C.6.Investments in foreign currencies – Equity Securities

In accordance with IAS 39, Africa50 - FP records its securities at fair value.

This is 100% of the shares of the holding company Infra Holdco 1, a holding company set up to acquire a 25% stake in the company carrying the Project 1 as part of the Africa50 – FP investment.

This project is the first project developed and finalized by Africa50 – PD in 2017.

The various outstanding amounts of Africa50 – FP on this project are as follows:

Investments

- Equity investments in Infra Holdco 1: 7.206.332 USD
- Operating current account: 21.798 USD
- Project 1 current account: 1.265.365 USD

Income and expenses

- Current account interest income: 5.365 USD

Given its pure holding nature, the consolidation by Africa50 – FP of the holding Infra Holdco 1 would not have a significant impact (100% of equity investment except 100 USD would be recorded as goodwill) on the financial position or income statement of Africa50 – FP. For this reason, the company did not appraised necessary to issue consolidated financial statements by the end of 2017.

C.7. Liabilities – Accounts payable

Liabilities-Amounts payable amount to 1 454 297 USD and mainly represent trade payables and outstanding invoices as of December 31ST, 2017.

C.8. Other payable

This is the current account of Africa50 – PD for an amount of 20 219 723 USD. In particular, this account recorded re-invoices to Africa50 – PD of expenses for the year for 2 455 513 USD and interest income on the current account for 225 945 USD.

C.9. Shareholder equities

The authorized capital according to Africa50 - PF status is 3 000 000 000 USD. The subscribed capital sums up to 733 688 000USD while the called-up and paid up amounts to 210 893 905 USD.

			2017	2016	Variation
Shareholders (28)	Shares	Subscribed Common Stock	Paid-up common stock	Paid-up common stock	
1. African Development Bank	100,000	100,000,000	25,000,000	25,000,000	-
2. Benin	4,176	4,176,000	1,044,000	1,044,000	-
3. Cameroon	45,000	45,000,000	11,249,863	11,249,863	-
4. Congo Brazzaville	167,997	167,997,000	41,999,250	41,999,250	-
5. Ivory Coast	26,999	26,999,000	6,749,750	6,749,750	-
6. Djibouti	2,700	2,700,000	675,000	675,000	-
7. Egypt	90,000	90,000,000	22,500,000	22,500,000	-
8. Gabon	7,800	7,800,000	1,950,000	1,950,000	-
9. Gambia	900	900,000	225,000	225,000	-
10. Ghana	17,655	17,655,000	4,413,750	4,413,750	-
11. Madagascar	9,003	9,003,000	6,722,380	4,521,011	2,201,369
12. Malawi	1,800	1,800,000	450,000	450,000	-
13. Mali	1,813	1,813,000	453,250	453,250	-
14. Kingdom of Morocco	90,000	90,000,000	22,500,000	22,500,000	-
15. Mauritania	9,101	9,101,000	2,275,250	2,275,250	-
16. Republic of Niger	1,799	1,799,000	449,750	449,750	-
17. Nigeria	36,000	36,000,000	9,000,000	9,000,000	-
18. Senegal	9,007	9,007,000	2,251,750	2,251,750	-
19. Sierra Leone	1,800	1,800,000	450,000	450,000	-
20. Sudan	2	2,000	500	500	-
21. Togo	17,346	17,346,000	4,336,500	4,336,500	-
22. Kenya	52,296	52,296,000	16,493,786	13,074,348	3,419,438
23. Burkina Faso	2,694	2,694,000	673,500	673,500	-
24. BCEAO (Central bank of the states of west africa)	4,500	4,500,000	4,500,000	4,500,000	-
25. BAM (Bank al maghrib)	18,000	18,000,000	18,000,000	18,000,000	-
26. Tunisia	9,000	9,000,000	4,505,626	2,026,479	2,479,147
27. Republique Démocratic of Congo	1,800	1,800,000	900,000	-	900,000
28. Guinea (Conakry)	4,500	4,500,000	1,125,000	-	1,125,000
TOTAL	**733,688**	**733,688,000**	**210,893,905**	**200,768,951**	**10,124,954**

C.10. Revenues from investments

Financial products are linked to:

- Investment income for a total of 3 387 167 USD from which is deducted the share going to Africa50 - DP in proportion to its cash for 225 945 USD.
- To other products (foreign exchange gains) for an amount of 15 315 USD.

C.11. Administrative expenses

The total administrative expenses of Africa50 - FP amount to 6 264 807 USD net of the share of common expenses invoiced to Africa50 - DP (20% of the common charges) for 1 567 375 USD.

C.12. Projects expenses

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.

Project expenditure for the 2017 financial year breaks down as follows:

	2017	2016	Variation
Expenses on current projects	412,066	39,995	372,071
Expenses on abandoned projects	–	–	–
TOTAL	412,066	39,995	372,071

C.13. Employees

Africa 50 – FP and Africa 50 – DP count 6 employees at December 31st 2017.

C.14. Risk management

During the year 2017, the fund has mainly continued to invest in term accounts in commercial banks in Morocco or in Africa.

With its daily transactions, the company can face certain risks.

- **Currency risk**
  Currency risk is the risk that the value of an instrument will fluctuate in USD owing to changes in foreign exchange rates. In order to limit this risk, most of the company accounts are in USD, with the exception of one account in euros and another one in MAD which are used for current expenses.
- **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 current investment portfolio is solely made of term accounts. Only future revenues could be impacted by the evolution of the rate.
- **Credit risk**
  Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation, and cause the fund incur a financial loss. The company has diversified its portfolio of its counterparty in order to limit this risk.

Sensitivity analysis

As of December 31st 2017 a raise/decrease of the euro and Moroccan dirham versus dollar of 10% would have had an impact of 20 646 USD.

Exchange rates at December 31st 2017

The tab below represents the exchange rate used for the operations:

Exchange rate 31/12/3017

MAD	0,10650
EUR	1,19786
GBP	1,34912

NOTES

IMPORTANT DISCLOSURE

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