InfraCo AFRICA

# ANNUAL REPORT 2015

www.infracoafrica.com

*On the Corbetti Caldera, in Ethiopia, steam escapes through chasms in the ground providing visible evidence of geothermal potential. In 2015, InfraCo Africa committed US$15m to unlock this resource and provide much needed power to Ethiopia's national grid.*

# Thoughts from our Chairman

As I reflect back, for this our first Annual Report, I am struck afresh by the journey that InfraCo Africa has been on over the last few years and the impact this is beginning to have on our business. InfraCo Africa has been through a period of change. Over the past few years we have established and consolidated an internal management team; undertaken a strategic review of the business; secured our first internally sourced project; and hired a new developer team. Our results for 2015 can be attributed to these changes. We have also strengthened our internal governance and refocused our development efforts, exiting from those projects which no longer need our support and recouping our development costs where possible. Finally, 2015 saw us strengthening our working relationships with the PIDG facilities and aligning our strategic ambitions with those of our funders so securing a new funding commitment. 2015 has been a great year for InfraCo Africa but we aren't stopping here.

Infrastructure can have a transformative impact on economies and living standards: delivering the power, water and transport needed to produce goods, access markets and provide new services. Kalangala Infrastructure Services (KIS), our multi-sector island utility in Uganda, exemplifies this. Bugala Island's economy has been transformed since KIS began providing power and water, operating ferries to the mainland and building the new main road.

KIS has shown us that by injecting capital early, infrastructure deployment can be accelerated and communities better engaged. We will therefore continue to seek new opportunities to invest directly into the initial phases of our projects, demonstrating technical and commercial viability for other investors to follow.

KIS is also a great example of the collective strength of the PIDG Facilities, with GuarantCo, TAF and EAIF working alongside us to address market barriers and help the project reach Financial Close. As well as collaborating with our sister Facilities, delivery of complex, pioneering projects relies on strong partnerships. In 2015 we developed a partnership with the Shell Foundation (through Redavia) and strengthened ties with the Africa Finance Corporation (through Cenpower and Cabeólica). We will continue to collaborate with others and invest in developing reciprocal, replicable partnerships and projects.

We are committed to delivering large scale transformative projects, like Corbetti in Ethiopia, but we will also look at alternative infrastructure development models. Sub-Saharan Africa needs to provide power to isolated, off-grid communities and businesses. Just 16% of Africans living in rural areas have access to electricity, and for 60% eventual connection to a national grid will remain a distant prospect due to logistical and cost challenges. Africa has tremendous solar potential (6,500 TWh a year) which with reductions in panel costs and advances in battery technology could offer a viable off-grid solution. Off-grid solar is smaller scale, often developed by a single corporate entity and highly replicable, so relatively quick to deploy. Off-grid solar doesn't need to rely on project financing but does need risk capital to scale-up and remain affordable. In 2015 we provided capital to Redavia, a containerised solar PV rental business, and we will continue to provide capital and expertise to fledgling off-grid businesses. These smaller-scale businesses have huge potential; given time they may expand, amalgamate or cross borders, such that they eventually have an equivalent impact to slower-starting but larger-scale projects like Corbetti.

If I look back in InfraCo Africa's recent history, 2015 stands out as the year when our new strategies translated into delivery of projects. Looking forward, I believe we have the team, ambition and stakeholder support to achieve even more in the future.

**Brian Count**

Chairman, InfraCo Africa

# Introducing InfraCo Africa

**InfraCo Africa seeks to alleviate poverty by mobilising investment into infrastructure projects in sub-Saharan Africa. We do this by funding teams of experienced project developers or by investing directly into projects which need the financial commitment and leverage that InfraCo Africa can bring. Our support reduces the risks and costs associated with early stage project development, from concept to financeable investment opportunity.**

Developing infrastructure projects in frontier sub-Saharan African markets continues to be challenging. In 2015 fluctuations in local currencies, commodity prices and security concerns had a large impact on relatively small economies. With many political landscapes shifting and regulatory frameworks mostly untested, long term investment in infrastructure requires patient capital with a tolerance for such risks and insecurity. These challenges continue to deter early stage and large scale private sector investment in infrastructure. The total value of African infrastructure projects with private sector participation (and reaching Financial Close) was estimated at US$5.1bn in 2014. This represents just 5% of the annual funding need identified by the World Bank. The public sector is trying to bridge this funding gap. In 2014, African governments committed US$34.5bn to infrastructure development, with multilateral development banks committing a further US$11bn and European governments pledging US$5.4bn. However, budget and capacity constraints mean that governments can't finance all of the infrastructure needed to enable Africa's economic growth.

In 2015, the UN General Assembly formally adopted the new Sustainable Development Goals (SDGs).There are specific goals for providing sustainable water for all, affordable and reliable power and resilient infrastructure. The SDGs also recognised that delivering on this commitment would require a revitalisation of 'global partnerships' or, in other words, that the public and private sector would need to work together.

InfraCo Africa uses public funding sources to mobilise private and Development Finance Institution (DFI) investment, catalysing the international partnerships needed to develop sub-Saharan infrastructure projects. While early-stage development represents a relatively small portion of total project costs (5-10%), it carries the highest risk because the legal, technical and commercial viability of the project is unproven. InfraCo Africa provides the capital and expertise needed to mitigate early-stage risk and helps to manage this uncertainty. We do this by funding the expertise, early stage studies, modelling, procurement and contractual negotiations needed for a project to become financeable. Once early stage risk is mitigated, projects can attract the public and private sector investment needed to construct and operate new infrastructure in Africa.

InfraCo Africa prioritises projects in Least Developed Countries (LDCs) and Other Low Income Countries (OLICs) or in fragile and conflict-affected states. We will not directly compete with the private sector nor subsidise other investors' returns. Instead, we look to invest in early-stage projects that are perceived as too risky for others to develop alone but which have the potential to be bankable and have a strong developmental impact. We always look to be 'additional' in a project, to bring something that is unique to us. Being additional doesn't just mean providing scarce financial capital. Our involvement could: enable a pilot project to build investor and host government confidence; pioneer a technology or business model for the first time within a country; or implement innovative benefit-sharing programmes with local communities. For InfraCo Africa, being additional is fundamental to achieving our purpose and delivering on our funders' goals.

In 2015, InfraCo Africa set itself an ambitious growth strategy and secured a further tranche of funding. Through 2016 we will be seeking new projects and new developers, on a one-off or portfolio basis, to help deliver this growth.

Please visit our website to find out more:

**www.infracoafrica.com**

## Established in **2004**

As the early stage project development facility of the Private Infrastructure Development Group (**PIDG**)

**£102m** funding commitment from **DFID** (UK), **DGIS** (Netherlands) and **SECO** (Switzerland) through the PIDG

**8**

**Eight** projects have reached financial close, collectively mobilising more than **US$2bn** of investment

**6**

**Six** projects are **fully operational** and **2** are under construction

**96%**

of mobilised investment in Least Developed or Low Income Countries and **22%** in fragile and conflict-affected states

**9**

partial or full sales of projects

Currently developing **nine** additional projects with a strong pipeline of new opportunities

**13m**

Financially closed projects expected to benefit **>13m** people and provide **>6,500** jobs during construction and **>1,000** during operation

# Thoughts from our Executive Director

2015 was a record year for InfraCo Africa, both for signing new development deals and for successful exits. These achievements are the culmination of recent changes to our business model and years of development effort from our developer teams and partners.

People make projects happen. In 2013 we established an internal team with deep expertise in project development, contracting and project financing. In 2015 we strengthened this capability with development experience in solar, geothermal, biomass and wind power generation and continued to build resource in our corporate and governance functions. We also established a new asset mantagement capability, enabling us to invest into fledgling businesses and to better manage pilot projects through construction and operations. Through Aldwych International, we contracted with a new resource, Aldwych Africa Development Ltd (AADL), to develop power projects on our behalf. We also continue to work with eleQtra, our principal developer. Our contracted developers extend our development reach and expertise, providing us with a flexible pool of resource that we can rapidly deploy to projects in the most challenging markets, where privately funded developers would not otherwise go. This investment in people and resource has paid dividends, enabling us to sign up five new development projects in 2015, to continue development of our existing pipeline and to sell our interests in completed projects.

Strong partnerships are key to InfraCo Africa's business model. More than 75% of our projects are in lower income countries, where we can have a higher development impact but are also exposed to greater financial risks. Viable projects rely on a utility or customer being able to pay its bills on time. Fluctuations in commodity pricing and foreign exchange rates weaken economies, making public sector budgets vulnerable and exacerbating non-payment risk. To address these challenges, our developer teams and partners can provide the expertise, grants, long tenor financing and/or local currency guarantees needed to mitigate such risks. We continue to actively seek partnerships, to support those projects that others may be unable to develop or finance on their own.

Successfully developing long term infrastructure relies on being able to mobilise the right people. 50% of our projects are in fragile or conflict-affected countries where corruption, vested interests and security risks make engaging stakeholders and getting the right developer teams on-the-ground a key challenge. To mitigate these risks InfraCo Africa and its partners operate to the highest environmental, social and governance standards. We also work with the other PIDG Facilities to provide government-side legal, technical and commercial support. Our funders, the governments of the UK, Netherlands and Switzerland, help further mitigate risk by providing local contacts and market insight, as well as an ongoing funding and political commitment.

InfraCo Africa continues to work towards being financially self-sustaining while maintaining its development mandate. We do this by recouping monies spent on developing successful projects in the most challenging markets and re-investing into further projects. In 2015 we received £11.9m in project sales proceeds and spent a further £7.2m on the ongoing development costs of our projects and operational assets. InfraCo Africa's funders committed to provide £39m of new funding, some of which will fund the £25m we committed to new development projects this year.

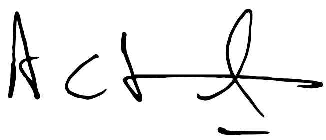
## Our highlights for 2015

- Committing £25m (US$36m) of investment across five renewable energy projects in five sub-Saharan countries
- Recovering development costs at the financial close of Cenpower, a 350MW combined-cycle gas turbine plant in Ghana
- Agreeing the sale of our stake in Cabeólica, a 25.5MW wind farm in Cape Verde
- Fully financing Redavia's first solar PV containers for two rural communities in Tanzania
- Commissioning a second ferry and commencing generation and distribution of solar power and clean water to the people of Bugala Island in Uganda
- Hiring new expertise and capabilities into our team
- Securing a £39m funding commitment from the PIDG

InfraCo Africa is starting 2016 with a strong pipeline of development projects and will maintain its focus on providing the risk capital and expertise required to ensure that these projects progress through to financial close and construction. However, we also have the appetite and funding to continue growing. In 2016 we will be scaling up our business and creating a presence on-the-ground in Africa, as well as strengthening our partnerships across the PIDG facilities, with our funders and with strategic partners. This continued investment in our people and in collaborating with others, will mean InfraCo Africa can develop more new projects and work with a wider range of development partners and governments in 2016.

I look forward to updating you on our progress.

Alex Katon
Executive Director



# In 2015 InfraCo Africa committed US$36m of funds to develop five new renewable energy projects in five different sub-Saharan countries.

## 1 Chad: Djermaya Solar

InfraCo Africa committed to jointly develop a 30MW Solar PV plant in Djermaya, 30km north of Chad's capital, N'Djamena. We will invest up to US$3m to fund development through to Financial Close. The Djermaya project will be developed in two phases, with the first 30MW intended to be operational by 2017. This pioneering project will be amongst the first commercial scale solar PV plants and the first IPPs in Chad: so a critical initial step for the Government of Chad as it diversifies the nation's energy mix and seeks to attract further private-sector investment into power generation.

*This project is being jointly developed by Aldwych Africa Developments Ltd (on behalf of InfraCo Africa), CDEN and JCM Capital.*

## 2 Zambia: Western Power

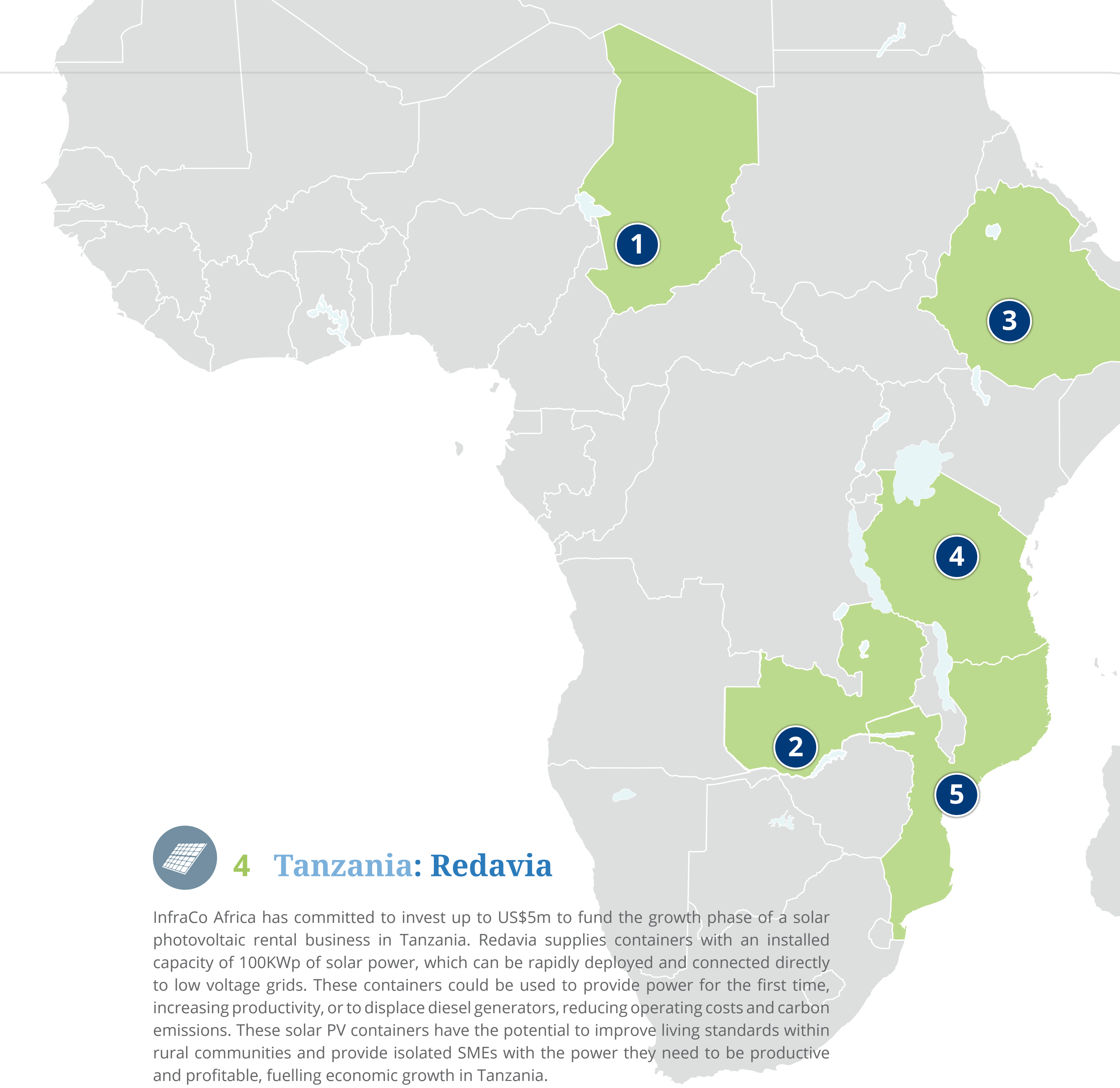
InfraCo Africa committed to jointly develop an up to 60MW run-of-river hydropower project in Zambia's Western Province. We will invest up to US$5m to fund external studies, offtake and lender negotiations, procurement activity and any other work required to ensure that the project reaches Financial Close. This hydropower plant will not only provide power to the national grid, helping to alleviate economically crippling power deficits, but also implement a pioneering benefit-sharing scheme which will directly and positively impact local communities.

*The project is being jointly developed by eleQtra (on behalf of InfraCo Africa) and the Western Power Company.*

## 3 Ethiopia: Corbetti

InfraCo Africa committed US$15 million in funding to develop geothermal power on the Corbetti Caldera, in Ethiopia. Corbetti Geothermal is a pioneering project: situated on a greenfield site it will need to prove a new geothermal resource and if successful, will be the first privately financed geothermal IPP in Ethiopia. To manage the risks and costs associated with being a pioneer, Corbetti will be developed in multiple phases with InfraCo Africa partially funding the first 70MW. If proven successful, subsequent phases could result in Corbetti mobilising up to US$2 billion in Foreign Direct Investment over the next 8-10 years and increasing installed base load capacity by over 500MW.

*Berkeley Energy are leading development, drawing on funding and expertise from InfraCo Africa, the Africa Renewable Energy Fund (AREF), Icelandic Drilling and Reykjavik Geothermal.*




## 4 Tanzania: Redavia

InfraCo Africa has committed to invest up to US$5m to fund the growth phase of a solar photovoltaic rental business in Tanzania. Redavia supplies containers with an installed capacity of 100KWp of solar power, which can be rapidly deployed and connected directly to low voltage grids. These containers could be used to provide power for the first time, increasing productivity, or to displace diesel generators, reducing operating costs and carbon emissions. These solar PV containers have the potential to improve living standards within rural communities and provide isolated SMEs with the power they need to be productive and profitable, fuelling economic growth in Tanzania.

*Redavia Tanzania Asset Ltd was founded in 2014, with support from its parent organisation Redavia GmbH, the Shell Foundation, REEEP and others.*

## 5 Mozambique: Pavua

InfraCo Africa committed US$8m to develop a hydropower project in Mozambique through from inception to Financial Close. The Pavua project will be amongst Mozambique's first IPPs and will construct a dam and 120MW hydroelectric plant on the Pungué River. Mozambique is vulnerable to climate change, experiencing frequent floods and droughts that, coupled with power deficits, are constraining its economic development. Pavua will partially address these constraints: unlocking the country's significant hydro potential to both provide much-needed renewable power and help better manage downstream river flows.

*This project is being jointly developed by eleQtra (on behalf of InfraCo Africa) and Tora Holdings.*

Redavia deployed the first solar panels to Shitunguru in March 2016.

# In 2015 InfraCo Africa agreed to fully finance Redavia's first solar photovoltaic containers for rural communities in Tanzania.

## Tanzania: **Redavia**

Solar power | US$5.9m | 130,000 | 2015 onwards

Redavia Tanzania Asset Ltd was founded in 2014, with support from its parent organisation Redavia GmbH, the Shell Foundation, REEEP and others. Redavia has developed an innovative solution: standardised shipping containers that provide the solar photovoltaic (PV) panels, fittings and control systems required for up to 100KWp of installed solar PV capacity. Containers are offered on a rental basis, individually or as a modular array, and can be rapidly redeployed if needs change. With on-site installation taking just 6 days, these containers avoid both the high up-front capital costs and lengthy development and construction periods typically associated with static PV plants. Redavia had started providing containers to businesses in Tanzania, enabling it to test technical feasibility and further develop its product design. However, Redavia didn't have sufficient funds to grow further and test deploying the containers to rural off-grid utilities. Redavia therefore approached InfraCo Africa for the capital investment needed to further prove the technical and commercial viability of its business model and rapidly scale-up deployment.

In 2015 InfraCo Africa committed to fully fund the capital costs for two solar PV containers so that they could be deployed to two rural villages in Tanzania: Isenzanya and Shitunguru. Today both villages rely on wood, charcoal, diesel and kerosene. Fuels that can be scarce, expensive and dangerous to health, especially when consumed within the confines of a family home. InfraCo Africa's funds are expected to be disbursed in early 2016 (actual disbursement: February 2016) enabling deployment of these first two containers later that year. Subsequently, as the remaining funding conditions are met, InfraCo Africa will gradually disburse up to US$5m in support of Redavia's growth plan.

*The construction of Cenpower commenced in January 2015, and is expected to complete in 2017.*
*It is anticipated that 600 construction jobs will be created during this period. Photo courtesy of Cenpower Generation Ltd.*

# In 2015 InfraCo Africa recovered development costs at the financial close of Cenpower, a 350MW combined-cycle gas turbine plant in Ghana.

## Ghana: **Cenpower**

350MW Gas | US$903m | >8,000,000 | 2005–2014

The Cenpower project was initiated by a consortium of Ghanaian investors, who approached InfraCo Africa in 2005 as they were struggling to interest private-sector investors: the Ghanaian energy market was newly de-regulated and the project was to be Ghana's first greenfield, project-financed IPP. InfraCo Africa, through our principal developer eleQtra, was uniquely positioned to help. With our support, detailed engineering, social and environmental studies could be completed, a Power Purchase Agreement negotiated and EPC procurement could commence. This commitment and demonstrable progress enabled us to bring the Africa Finance Corporation (AFC) into the project in 2010. Together we turned this pioneering, complex project into a bankable, government-supported initiative.

By 2014, we had successfully established Cenpower Generation Ltd and mobilised over US$903m in financing from a spectrum of African (70%) and international (30%) investors. The project has since won multiple accolades and awards, including the African Banker's 2015 Infrastructure Deal of the Year. In 2015, the first tranche of funds were disbursed enabling construction to commence. The project is on track to become operational in 2017.

With the project successfully securing the investment and expertise it required, InfraCo Africa was able to sell its remaining stake in the project company in October 2014 to the Sumitomo Corporation and the African Finance Corporation (AFC). This sale completed at financial close in early 2015, enabling InfraCo Africa to receive the majority of sale proceeds by March of that year. Cash received from the sale covered our development costs for the project and will be re-invested into future infrastructure projects in sub-Saharan Africa.

PIDG Private Infrastructure Development Group

The Cenpower project also benefitted from the support of both EAIF and TAF. TAF provided US$0.8m of grant funding for studies into gas availability, the off-shore sea floor (to support design of the power plant cooling system) and to update the initial Environmental and Social Impact Assessment. EAIF provided a US$22m loan at Financial Close.

*By 2012, Cabeólica was operating 30 wind turbines across the four islands of Boa Vista, São Vincente, Sal and Santiago. Collectively, these wind farms satisfy 25% of Cape Verde's demand for electricity*

# In 2015 InfraCo Africa agreed to sell its stake in Cabeólica, a 25.5MW wind farm in Cape Verde.

## Cape Verde: **Cabeólica**

25.5MW Wind

€60.5m

360,000

2006–2016

The Cabeólica project was initiated by the Government of Cape Verde and Electra S.A.R.L (the national utility). In 2006 they sought support from InfraCo Africa after twice trying to complete a public procurement process: private sector investors were deterred by the project being both complex and pioneering, and by the intention to site it across four islands each with a stand-alone grid and limited renewables capacity. InfraCo Africa, through our principal developer eleQtra, was able to provide the funding and expertise needed to overcome these challenges. Together we addressed the complex legal and regulatory issues surrounding large-scale wind power generation and resolved the technical issues associated with establishing and managing dispersed wind farms. By 2012 Cabeólica was operating 30 wind turbines and supplying 25% of the electricity consumed in Cape Verde.

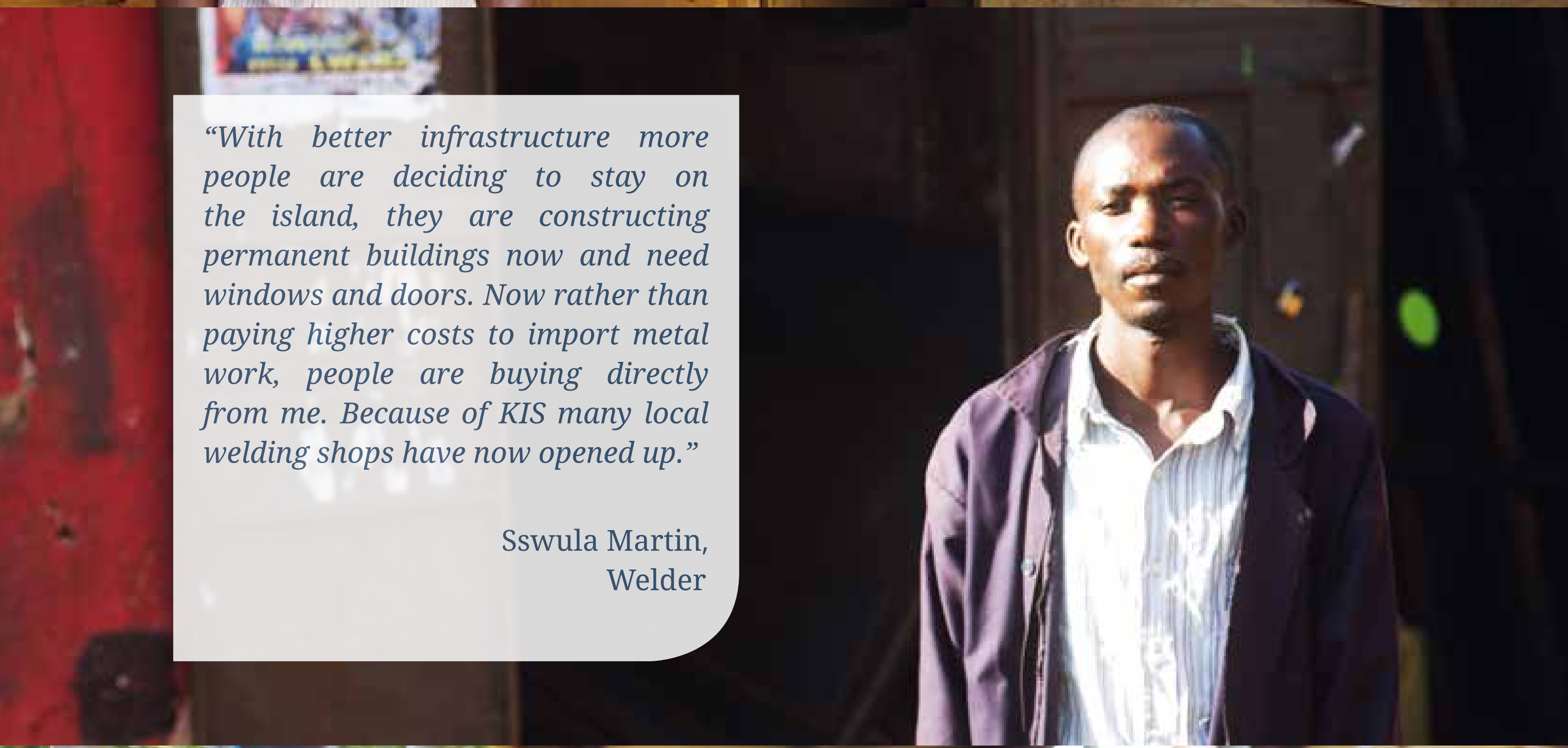
Cabeólica SA became the first Public Private Partnership (PPP) to deliver commercial scale wind power in sub-Saharan Africa and has transformed Cape Verde's energy mix: wind power now displaces approximately 15 million litres of imported diesel a year and avoids around 55,000 tonnes of carbon emissions. With three successful years of operational history, Cabeólica no longer needs InfraCo Africa's support. In 2015 we therefore agreed to sell our remaining stake to another shareholder in the company, the African Finance Corporation (AFC). The sale is expected to complete in early 2016 with sales proceeds anticipated shortly thereafter (actual completion and receipt of funds: February 2016).

Private Infrastructure Development Group

The Cabeólica project also benefitted from a US$0.47m grant from TAF to support: capacity building initiatives with the Government of Cape Verde; a market study into electricity demand; technical studies; and an assessment of the financial implications of the proposed Power Purchase Agreement for Electra S.A.R.L.

*"I used to work for someone else but now I've set-up my own motorbike spare parts and repairs shop. The traffic has increased so much, I now have 35 or more customers a week. Because of KIS I'm creating a legacy for my family."*

Jamil Mbaziira,
Motorbike mechanic



*"With better infrastructure more people are deciding to stay on the island, they are constructing permanent buildings now and need windows and doors. Now rather than paying higher costs to import metal work, people are buying directly from me. Because of KIS many local welding shops have now opened up."*

Sswula Martin,
Welder

*"We had all this equipment but without reliable power and clean water we couldn't run our operating theatre or laboratory. Now we can treat patients immediately, here, rather than risk transporting them to the mainland. Because of KIS we are better able to look after local families."*

Dr Batuusa Florence,
Health Centre IV

# In 2015 InfraCo Africa's multi-utility company in Uganda, Kalangala Infrastructure Services (KIS), started providing power and water to the people of Bugala Island.

## Uganda: KIS

Water

1.6MW solar diesel hybrid

Road

35,000

Marine transport

US$48.73m

2005 – ongoing

Bugala is the largest of the Sesse islands on Lake Victoria, home to 35,000 people. Kalangala Infrastructure Services (KIS), Uganda's first private mixed-utility company, has spent the past ten years working to address the key barriers to Bugala's development: a lack of power, water and transport infrastructure. 2015 saw the fruition of this hard work.

**Improving Interconnectivity**: Through 2015, KIS's two ferries made 5041 trips, carrying up to 200 passengers and 20 vehicles each time. KIS also continued upgrading the 66km main road (actual completion: February 2016). A fast, safe road and reliable ferries mean that mainland markets and services can now be accessed cheaply and swiftly, providing new trade and economic opportunities. Ssegujja Gerald owns and runs a petrol station on the island's main road; the increase in traffic has doubled his sales revenues. Switching from diesel generators to KIS power has also reduced the garage's electricity bills from US$154 to US$17 a month and enabled him to extend opening hours until 10pm. A reliable ferry ensures Ssegujja can order new supplies from Kampala one day and receive them the next.

**Improving health**: In July 2015, KIS commenced operation of their water purification plant and took over management of Kalangala Town Council's water distribution network. KIS is now providing clean, safe drinking water to 19 villages on the island. Nassolo Winnie is a nurse in Kasekulo village, she has noticed that clean, safe water has reduced the occurrence of waterborne diseases such as typhoid, bilharzia and dysentery. The island's hospital is also benefitting from reliable power and clean, tapped water: blood tests can now be run on-site and sterilisation equipment in the operating theatre can now be used. Faster diagnosis, more procedures and reduced infection rates are transforming health care provision on the island.

**Providing new opportunities**: In September 2015, President Musevani officially opened the 1.6MW solar thermal hybrid plant constructed and operated by KIS. Its 2,832 panels, 240 batteries and back-up diesel generators now produce power which can be distributed through KIS' grid to 2,258 newly connected customers. Affordable power enables established businesses to expand and new businesses to start-up. Ssawula Martin wanted to be welder so he moved to the mainland to train as an apprentice. Ssawula has since established one of the first welding shops in Kalangala and employs four apprentices, all graduates from the local school who no longer have to leave the island to train.

Private Infrastructure Development Group

KIS also benefitted from the involvement of TAF, GuarantCo and EAIF. TAF provided US$5m in Output Based Aid to finance the first ferry as well as US$1m of grant funding to support the Environmental and Social Impact Assessment and Resettlement Action Plan. GuarantCo provided a US$2.8m credit guarantee. EAIF provided a US$7m loan at Financial Close.

# Financial performance

In 2015 InfraCo Africa committed to invest £25m into five new projects and spent £7.2m on the ongoing development of ten infrastructure projects and three operational assets: collectively these projects and assets are valued at £33.6m.

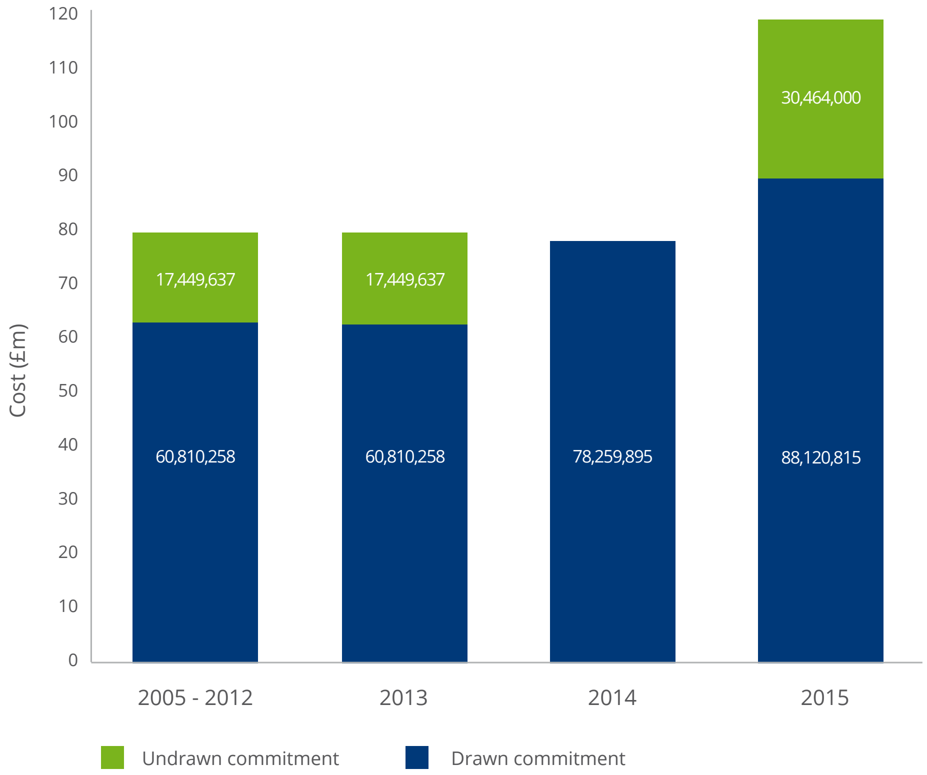
InfraCo Africa's mandate is to develop new infrastructure in Africa's most challenging markets, seeking to recoup its development spend sufficiently to maintain our capital and cover our operating costs, rather than maximising shareholder financial returns. In 2015 InfraCo Africa received £11.9m in cash proceeds from the sale of its interests in Cenpower, with interest and dividend payments from its operational assets. These funds will be reinvested into future project development activities.

Finally, in 2015 InfraCo Africa's funders committed £39m of new funding, which will be partially drawn-down in 2016.

The following figures are extracted from InfraCo Africa Limited's audited 2015 Financial Statements, which can be found in full on our website: **www.infracoafrica.com**. InfraCo Africa's financial results are presented in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union. InfraCo Africa Limited is fully UK tax compliant.

# Our funding commitment

During 2015 InfraCo Africa received funding assurances from its Donors, through the Private Infrastructure Development Group (PIDG) Trust. This included undertakings to provide additional funding of up to £39m, of which £8.5m was drawn down in 2015. By the end of 2015, InfraCo Africa had drawn down a total of £88.1m from a total committed funding of £118.6m. InfraCo Africa will draw down the remaining £30.5m in 2016 and 2017. Additionally, InfraCo Africa held a cash balance of £20.1m as at 31 December 2015.



# Operational investment into sourcing and developing projects

In 2015, InfraCo Africa spent £7.2m developing projects, this reflects all the internal and external costs incurred during InfraCo Africa's involvement in a project. Spend in 2014 was higher (£10m) as the developer success fees earnt from the 9 years eleQtra spent developing Cenpower became due on the project successfully achieving Financial Close (October 2014). During 2015, InfraCo Africa also undertook a review of all its existing projects and refocused effort on those most likely to be successful.

Operating costs increased in 2015 relative to 2014, this change is due to InfraCo Africa benefiting from significant Foreign Exchange (FX) gains in 2014. Cash is now primarily held in £GBP to minimise FX swings and 2015 operating costs therefore reflect much smaller movements in FX. To deliver on its growth ambitions, InfraCo Africa hired two new resources into its co-development team, taking total headcount from 9 to 11. eleQtra also continued investing in capability on-the-ground in Mozambique and Zambia. This investment marginally increased operating costs while also enabling InfraCo Africa to secure five new projects in 2015. InfraCo Africa continues to actively manage its fixed operating costs and expects these to reduce relative to committed funding from the PIDG Trust in 2016.

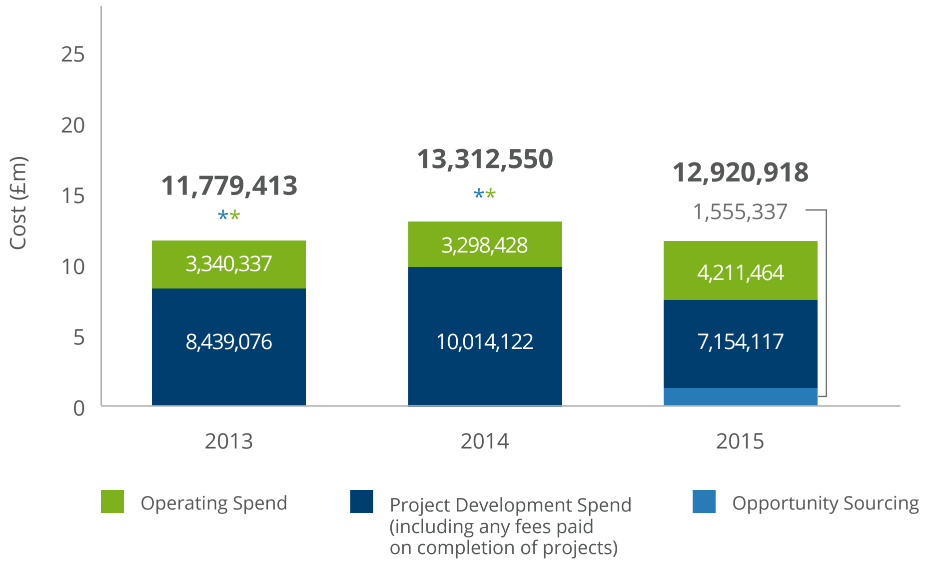
## New commitments in 2015

In 2015, InfraCo Africa made new commitments totalling US$36m.
These new commitments were as follows:

| | |
|---|---|
| **US$5m** | Zambia<br>**Western Power Company** |
| **US$15m** | Ethiopia<br>**Corbetti Geothermal** |
| **US$8m** | Mozambique<br>**Pavua Hydropower** |
| **US$3m** | Chad<br>**Djermaya Solar** |
| **US$5m** | Tanzania<br>**Redavia Tanzania Asset Ltd.** |

Funds will be dispersed in line with each project's development timeline.

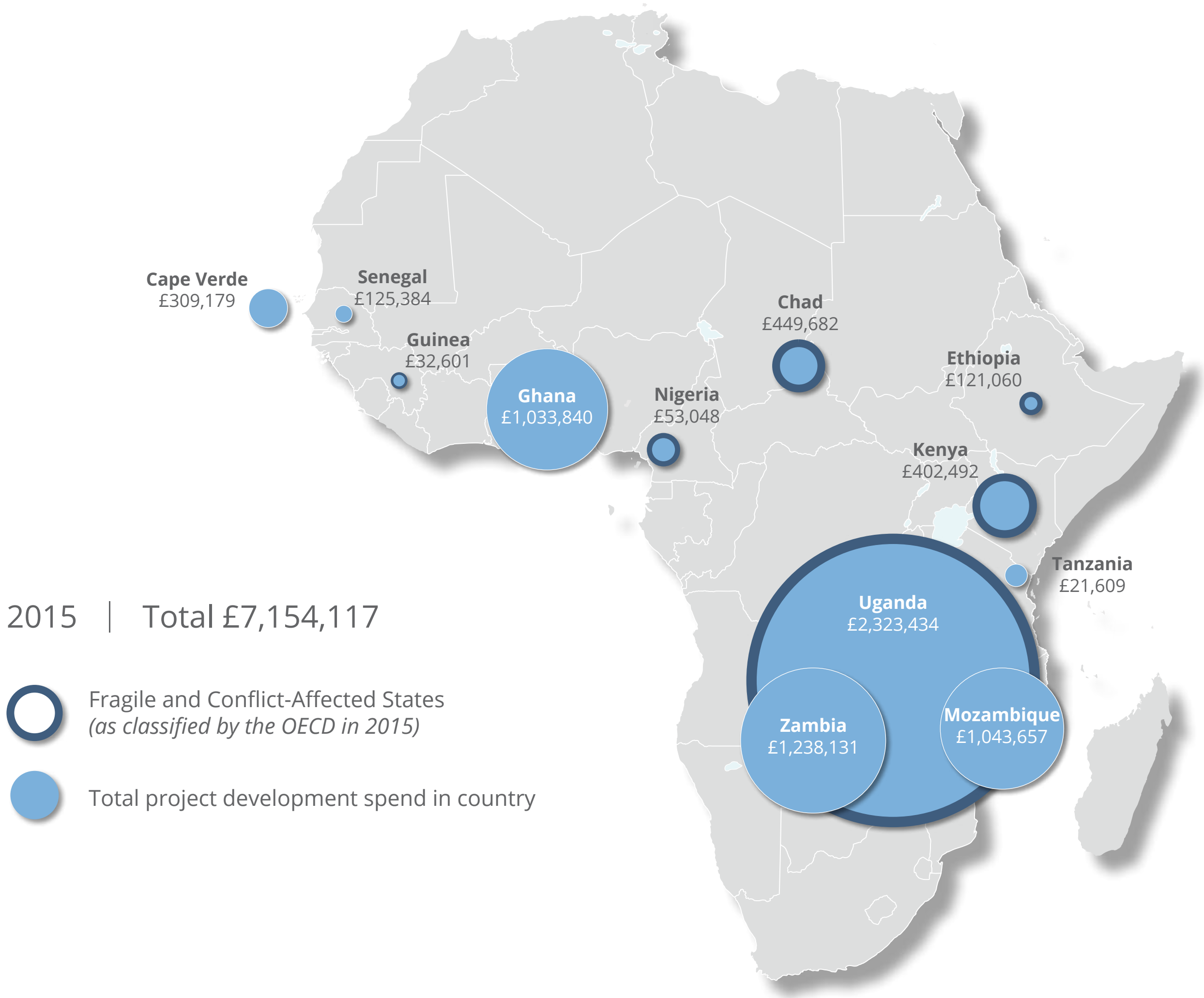
## Operational investment




** 2014 and 2013 Opportunity Sourcing costs are included in Project Development Spend

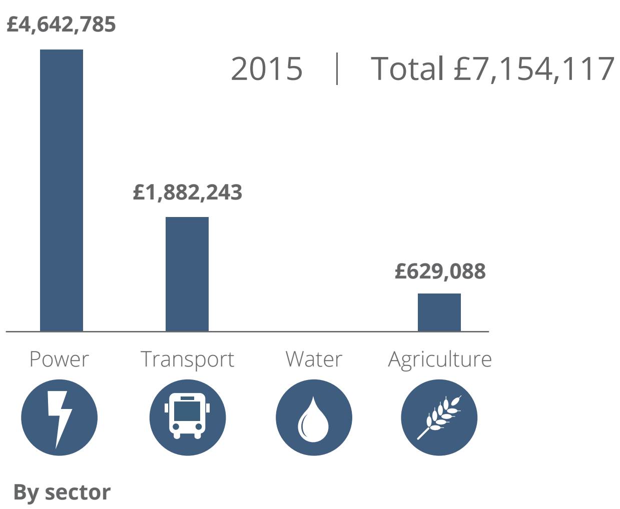
## Project development spend by country

50% of the countries InfraCo Africa is developing projects in are classified as Fragile of Conflict Affected by the OECD and 75% are considered to be Least Developed (LDCs) or Other Low Income Countries (OLICs): this reflects InfraCo Africa's strategy to prioritise the poorest and most fragile countries. In 2015 InfraCo Africa started work in Chad, Ethiopia and Tanzania for the first time.




## Project development spend by sector

The majority of development spend (65%) was for projects within the power sector, this reflects our ongoing ambition to facilitate provision of renewable, affordable energy in sub-Saharan Africa. Work also continued on our agricultural projects in Zambia where we are investing in the development of irrigation infrastructure to increase yields from commercial crops and smallholder market gardens.



# Valuation of work in progress and operating assets

InfraCo Africa exercises prudence when valuing its investments. We take into consideration both the milestones reached on a project and the costs incurred (for internal hours and third party spend) during its development. Once a project becomes an operational asset, we assess its value based on market benchmarks and/or recent market activity: however, as many of our projects are in challenging environments and markets, this is not always possible.

In 2015 InfraCo Africa had three operational assets, Cabeolica, Chanyanya and Kalangala Infrastructure Services, as well as a number of projects still under development. Collectively these assets and projects were estimated to have a value of £33.6m.

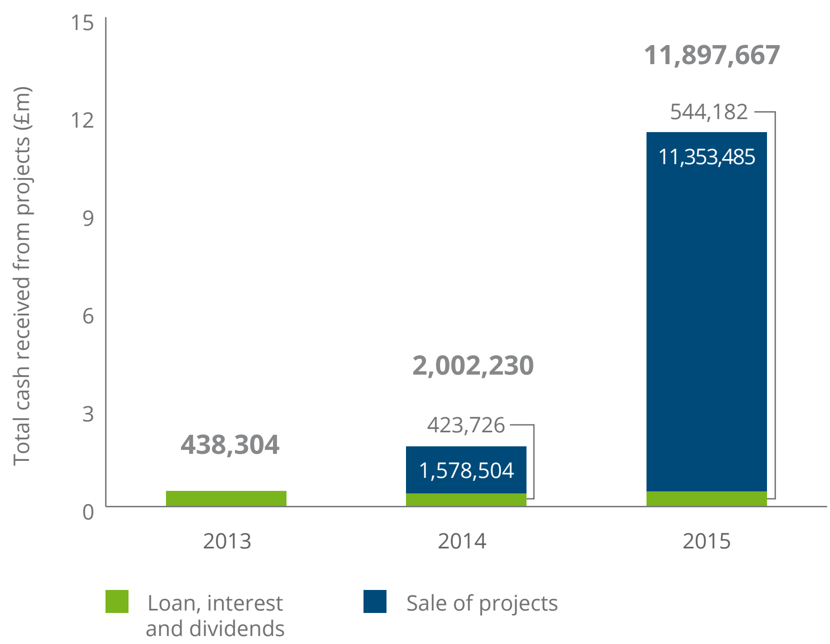
| Investments | £million |
|---|---|
| Projects under development | 26.5 |
| Operational assets | 7.1 |
| **Total** | **33.6** |

# Cash received from projects and operating assets

InfraCo Africa operates in highly risky countries, at the earliest stage of the project development cycle and in new markets which require pioneering projects. We therefore don't expect to make substantial returns. However, as a public funded organisation we do look to spend our funding responsibly and, wherever possible, at least maintain our capital. To do this we seek to make sufficient returns to cover our operating costs and the cost of any stalled projects. Our overall objective is to recoup and reinvest funds.

In 2015, InfraCo Africa received sale proceeds on fully exiting Cenpower Generation Ltd. We also received loan, interest and dividend payments from Kalangala Infrastructure Services and Cabeolica, two of our operating assets. In total, cash receipts for 2015 were £11.9m compared to £2m in 2014.

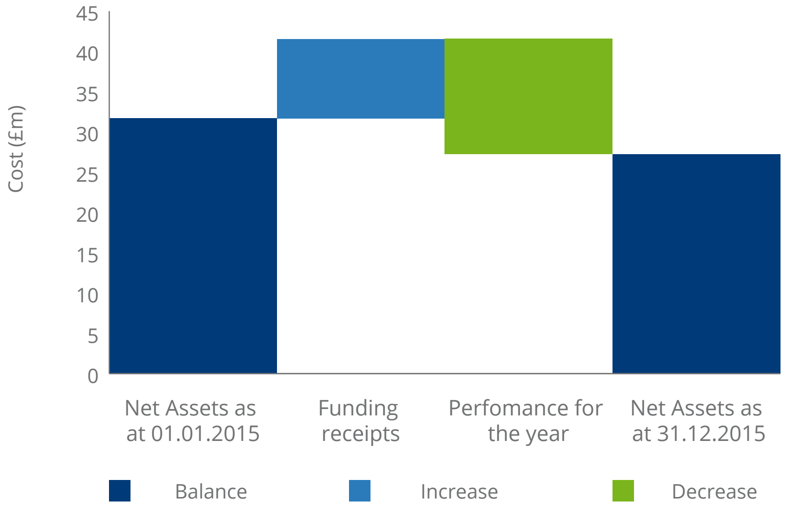
## Cash receipts



## 2015 net assets

Compared to 2014, our net assets have decreased from £31.7m to £27.3m. The movement is attributable to the receipts of cash from Donors and the performance in the year. Additionally our valuation policy is a key driver of our 2015 results as it sets out procedures to follow depending on the stage at which the project/asset is in its life cycle. Upon completion of construction activities our assets may change in value as they become fully operational and start to build a track record of technical and commercial performance.

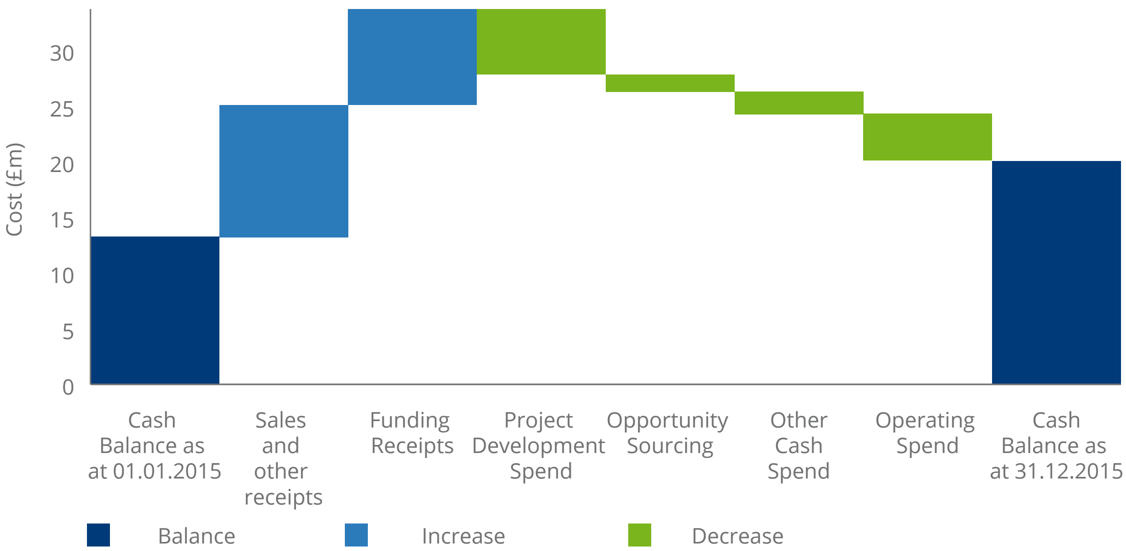
### Assets




## 2015 cash flow

By year end 2015 InfraCo Africa had a cash balances of £20m: this comprised both project sales proceeds and new equity funding receipts. In 2015, InfraCo Africa set itself an ambitious growth strategy. This cash has therefore been allocated to future project development activities, including for the new commitments made in 2015 and will be further supplemented by anticipated sales and further funding draw-downs. InfraCo Africa's sources and uses of funds in 2015 are shown below.

### Cash balance



# InfraCo Africa Limited is a facility of the Private Infrastructure Development Group (PIDG)

PIDG encourages and mobilises private sector investment in infrastructure in the frontier markets of sub-Saharan Africa and south and south-east Asia, to help promote economic development and combat poverty. PIDG makes it viable for private investors to participate in infrastructure deals using limited sums from its publicly-funded Trust to crowd-in many times that value in private capital.

PIDG operates through eight ‘Facilities’. Each has been designed to address a different market barrier throughout the lifespan of the infrastructure development project cycle.

Since 2002, PIDG has supported 133 infrastructure projects to financial close, of which 56 are fully operational. The $1.2bn committed by PIDG Members to the PIDG Facilities since 2002 has leveraged over $20bn in private sector investment and over $9bn from other IFIs and DFIs. More than 250 million people have benefited.

As a Facility of PIDG, InfraCo Africa has worked with its sister Facilities to further support its projects, for example:

- The Technical Assistant Facility (TAF) has provided grants to InfraCo Africa’s projects for environmental, market and feasibility studies, local capacity building and community initiatives.
- GuarantCo has provided local currency financing guarantees.
- The Emerging Africa Infrastructure Fund (EAIF) has provided long term foreign currency debt.

Further information on the PIDG can be found at: **www.pidg.org**

InfraCo
AFRICA

If you have a project that would benefit
from our expertise or funding then you can
find more on our website: **www.infracoafrica.com**

Alternatively you can contact us at
**info@infracoafrica.com** or on **+44 (0) 20 3597 5400**

Private Infrastructure Development Group
**www.pidg.org**

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