GL Africa Energy Limited

Annual report and financial statements

Registered number 08721406

Year ended 31 December 2016

Contents

Company information

Directors:	H Kariuki N Kariuki M K Mbaka R M Wardle M J Kearns (appointed 24 May 2016) E J W Maxwell (resigned 24 May 2016)
Registered number:	08721406
Registered office:	10 Norwich Street, London, EC4A 1BD
Auditor:	KPMG LLP 15 Canada Square London E14 5GL

Group Strategic Report

The directors present their Strategic Report for the year ended 31 December 2016.

Principal activity

The principal activity of GL Africa Energy Limited ('the Company') and its subsidiaries ('the Group') continued to be maintaining, operating and the utilisation of a heavy fuel oil (HFO) power plant located in Zambia, generating and selling electricity to the Zambian national electrical distributor, ZESCO Limited.

Financial performance and future prospects

The Group made a profit of $12,505,248 during the year (2015: $14,134,652). In particular, the directors are satisfied with the gross profit 78.85% (2015: 78.52%), enabling the Group to service its debts, the majority of which are payable to companies under common ownership of H Kariuki, the ultimate controlling party of the Group.

At the year end, the net asset position of the Group was $43,324,536 (2015: $30,819,287). In particular, the directors continue to invest in additional plant, property and equipment with the aim of increasing capacity at the power plant in Ndola, Zambia, to take advantage of anticipated long-term shortage of electrical supply in Zambia. The Group had launched Phase II of the power plant in the year 2015, with the expectation of doubling the capacity of the plant to over 100MWh. In 2016 the Group has invested $32,101,370 during the year (2015: $9,026,235) by the way of additions to plant, property and equipment.

Financial data and key performance indicators ('KPIs')

The table below summarises the Group's financial results and KPIs.

KPI	2016	2015
Turnover	**$28,742,206**	$29,792,663
Operating Profit	**$16,533,210**	$18,894,881
Net profit before tax percentage	**43.51%**	47.44%
Interest charges as a proportion of gross profit	**17.78%**	20.35%
Gross Electrical output (kWh)	**335,188,258**	397,158,520

The turnover for the year decreased slightly because of reduced Gross Electrical Output in 2016. This was largely because of disruptions in supply of HFO from Tazama, the HFO provider, in July and October 2016. The Group has since re-negotiated the Fuel Supply Agreement to ensure that it has an option to buy fuel from other providers in the future, in case of further shortages. The interest charges as a proportion of gross profit reduced as a result of re-negotiation of interest rates on loans from related parties from 15.35% and 15% to 7.38%.

Financial risk management

The Group's operations expose it to a variety of financial risks. The Group manages its risk to limit the adverse effects on the financial performance of the Group by monitoring those risks and acting accordingly. The monitoring of the financial risk management is the responsibility of the Board of Directors ('the Board'). The policies of the Board are implemented by the Group's finance department under specific guidelines.

Group Strategic Report *(continued)*

Price risk

The Group is exposed to fluctuation in global energy prices. Part of the Group's contract with ZESCO Limited links the price the Group is able to charge to the US Producer Price Index. The Group has mitigated this exposure by ensuring that the majority of its income is linked to a capacity fee, charged at a price not linked to external markets.

Credit risk

The Group has only one customer and has both a concentration risk and credit risk. ZESCO Limited is a company owned by the Government of Republic of Zambia and given the power shortfall that exists in that country, the Board believe that the risk of default and fall in demand is low.

Liquidity risk

The Board assess and review the Group's liquidity position and funding requirement on a regular basis and this is an agenda item for its board meetings. They consider that the Group has sufficient liquidity to manage its current commitments.

Interest rate cash flow risk

The majority of the Group's debts are on a fixed rate basis, thus minimising the Group's exposure to increase in interest rate risk.

Currency risk

All debts are denominated in USD, being the functional and presentational currency of the Group as this is the currency to which its selling price is linked. The Group's main supplier invoices in Euro, whilst local payments in Zambia are made in Zambian Kwacha. The Group minimises its exposure to currency fluctuations by maintaining bank accounts in USD, Euro and Zambian Kwacha and matching receipts and payments of same currency transactions wherever possible to avoid exchange rate variances.

Financial instruments

The Group has a number of financial instruments, the main purpose of which are to finance the Group's operations and minimise the Group's exposure to risk. These comprise cash and liquid resources, long term debt, as well as other financial instruments such as receivables and payables that arise directly from its operations.

This report was approved by the Board and signed on its behalf.

M J Kearns
Director

29th September 2017

Director's Report

The directors present their annual report and the audited financial statements of GL Africa Energy Limited ('the Company') and its subsidiaries ('the Group') for the year ended 31 December 2016.

The Company has three subsidiaries: G.L.E. Lakes Energy Company Limited (a company incorporated in Cyprus), Great Lakes Energy Company N.V. (incorporated in the Netherlands) and Ndola Energy Company Limited (incorporated in Zambia). The Company has indirect ownership in all companies other than G.L.E. Lakes Energy Company Limited, which it owns directly.

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information, which would otherwise be required to be contained in the Directors' Report, in the Group Strategic Report:

- Financial risk management objectives;
- Future developments of the business; and
- Financial instruments.

Going concern

The Group has considerable financial resources together with a long term contract with its only customer, ZESCO Limited, the utility company of the Government of the Republic of Zambia. Given the deficit of power in Zambia and the Group's own financial strength, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Directors

The directors who have served during the year and to the date of this report were as follows:

H Kariuki
N Kariuki
M K Mbaka
R M Wardle
M J Kearns (appointed 24 May 2016)
E J W Maxwell (resigned 24 May 2016)

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2015: $nil).

Dividends

The directors recommend that no dividend is to be paid (2015:$nil).

Director's Report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors is aware of that information.

Auditor

KPMG LLP was appointed as auditor during the year. A resolution proposing the appointment was passed at a meeting of the Board. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG will therefore continue in office.

This report was approved by the Board and signed on its behalf.

M J Kearns
Director

29th September 2017

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of GL Africa Energy Limited

We have audited the financial statements of GL Africa Energy Limited for the year ended 31 December 2016 set out on pages 11 to 37. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of GL Africa Energy Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Craig Douglas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

29 September 2017

Consolidated Statement of Profit and Loss and Other Comprehensive Income
for year ended 31 December 2016

	Note	2016 $	2015 $
Revenue	2,3	**28,742,206**	29,792,663
Cost of sales		**(6,078,385)**	(6,399,604)
Gross profit		**22,663,821**	23,393,059
Other operating income	4	**-**	22,396
Administrative expenses		**(6,130,611)**	(4,520,574)
Operating profit		**16,533,210**	18,894,881
Financial expenses	7	**(4,027,962)**	(4,760,229)
Profit before tax		**12,505,248**	14,134,652
Taxation	8	**-**	-
Profit for the year		**12,505,248**	14,134,652
Other comprehensive income		**-**	-
Total comprehensive income for the year		**12,505,248**	14,134,652

The notes on pages 17 to 37 form part of these financial statements.

Consolidated Balance Sheet
at 31 December 2016

	Note	2016 $	2015 $
Non-current assets			
Property, plant and equipment	9	97,991,818	68,810,479
Current assets			
Trade and other receivables	11	27,976,328	11,616,442
Cash and cash equivalents	12	4,838,168	7,728,539
		32,814,496	19,344,981
Total assets		130,806,314	88,155,460
Current liabilities			
Other interest-bearing loans and borrowings	13	(5,953,158)	(4,668,687)
Trade and other payables	14	(3,470,048)	(20,070,992)
Tax payable		-	(71,359)
		(9,423,206)	(24,811,038)
Non-current liabilities			
Other interest-bearing loans and borrowings	13	(77,843,192)	(32,309,755)
Provisions	15	(215,380)	(215,380)
		(78,058,572)	(32,525,135)
Total liabilities		(87,481,778)	(57,336,173)
Net assets		43,324,536	30,819,287
Equity attributable to equity holders of the parent			
Share capital	16	10,000	10,000
Share premium	16	11,228,110	11,228,110
Retained earnings		32,086,426	19,581,177
Total equity		43,324,536	30,819,287

The notes on pages 17 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 29/9/17 and were signed on its behalf by:

M J Kearns
Director
29th September 2017

Company registered number: 08721406

Company Balance Sheet
at 31 December 2016

	Note	2016	2015
		$	$
Non-current assets			
Fixed assets		14,288	-
Investments	*10*	2,710	2,710
Trade and other receivables	*11*	105,797	-
		122,795	2,710
Current assets			
Cash and cash equivalents		4,686,071	-
Trade and other receivables	*11*	11,327,120	11,235,400
		16,013,191	11,235,400
Current liabilities			
Trade and other payables	*14*	(5,839,456)	(455,133)
Net current assets		10,173,735	10,782,977
Net assets		10,296,530	10,782,977
Capital and reserves			
Called up share capital	*16*	10,000	10,000
Share premium account	*16*	11,228,110	11,228,110
Retained earnings		(941,580)	(455,133)
Total Equity		10,296,530	10,782,977

The notes on pages 17 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 29/9/17 and were signed on its behalf by:

M J Kearns
Director
29th September 2017

Company registered number: 08721406

Consolidated Statement of Changes in Equity

	Share capital $	Share premium $	Retained Earnings $	Total equity $
Balance at 1 January 2015	10,000	11,228,110	5,446,525	16,684,635
Total comprehensive income for the period				
Profit for the year	-	-	14,134,652	14,134,652
Balance at 31 December 2015	**10,000**	**11,228,110**	**19,581,177**	**30,819,287**

	Share capital	Share premium	Retained Earnings	Total equity
Balance at 1 January 2016	10,000	11,228,110	19,581,177	30,819,287
Total comprehensive income for the period				
Profit for the year	-	-	12,505,249	12,505,249
Balance at 31 December 2016	**10,000**	**11,228,110**	**32,086,426**	**43,324,536**

The notes on pages 17 to 37 form part of these financial statements.

Company Statement of Changes in Equity

	Called up Share capital $	Share Premium account $	Retained Earnings $	Total equity $
Balance at 1 January 2015	10,000	11,228,110	(299,865)	10,938,245
Total comprehensive income for the period				
Loss for the year	-	-	(155,268)	(155,268)
Balance at 31 December 2015	10,000	11,228,110	(455,133)	10,782,977

	Called up Share capital $	Share Premium account $	Retained Earnings $	Total equity $
Balance at 1 January 2016	10,000	11,228,110	(455,133)	10,782,977
Total comprehensive income for the period				
Loss for the year	-	-	(486,447)	(486,447)
Balance at 31 December 2016	10,000	11,228,110	(941,580)	10,296,530

The notes on pages 17 to 37 form part of these financial statements.

Consolidated Cash Flow Statement
for year ended 31 December 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Profit for the year		**12,505,248**	14,134,652
Adjustments for:			
Depreciation, amortisation and impairment	*9*	**2,920,034**	2,929,513
Financial expense	*7*	**4,027,962**	4,982,657
(Increase)/decrease in trade and other receivables		**(16,359,886)**	783,968
(Decrease)/increase in trade and other payables		**(3,110,369)**	4,937,340
Net cash from operating activities		**(17,011)**	27,768,130
Cash flows from investing activities			
Acquisition of property, plant and equipment	*9*	**(32,101,370)**	(9,026,235)
Net cash from investing activities		**(32,101,370)**	(9,026,235)
Cash flows from financing activities			
Interest paid	*7*	**(680,759)**	(4,982,657)
Borrowings drawdown/(repaid)	*13*	**29,908,769**	(11,768,443)
Net cash from financing activities		**29,228,010**	(16,751,100)
Net (decrease)/increase in cash and cash equivalents		**(2,890,371)**	1,990,795
Cash and cash equivalents at 1 January 2016		**7,728,539**	5,737,744
Cash and cash equivalents at 31 December 2016	*12*	**4,838,168**	7,728,539

The notes on pages 17 to 37 form part of these financial statements.

Notes

(Forming part of the financial statements)

1 Accounting policies

GL Africa Energy Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 08721406 and the registered address is 10 Norwich Street, London, EC4A 1BD.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group. The Company makes use of the exemption available in s408 CA2006 from presenting its own profit and loss account.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements

1.2 Measurement convention

The financial statements are prepared on the historical cost basis.

1.3 Going concern

The Group has considerable financial resources together with a long term contract with its only customer, ZESCO Limited, the utility company of the Government of the Republic of Zambia. Given the deficit of power in Zambia and the Group's own financial strength, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Notes *(continued)*

1 Accounting policies (continued)

1.5 Foreign currency (continued)

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.6 Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies (continued)

1.7 Non-derivative financial instruments (continued)

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.8 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

• buildings	16 years
• plant and machinery	25 years
• office equipment	3 years
• motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.9 Impairment excluding inventories and deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Notes *(continued)*

1 Accounting policies (continued)

1.9 Impairment excluding inventories and deferred tax assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.11 Revenue

Revenue comprises the fair value of consideration received or receivable for the sale of electricity to the end user. Revenue is measured at the fair value of consideration receivable and is shown net of discounts and Value Added Tax (or its local equivalent). Revenue is recognised when the Group has transferred all risks and rewards to the buyer and to the extent that it is probably that the economic benefits will flow to the Group and the revenue can be reliably measured.

1.12 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Notes *(continued)*

1 Accounting policies (continued)

1.12 Expenses (continued)

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.14 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

IFRS 9 Financial Instruments (effective date 1 January 2018)

- The Group is currently analysing the impact of implementing IFRS 9 'Financial Instruments' ('IFRS 9') which is effective for the Group from 1 January 2018. Following a preliminary analysis, the Group provisionally expects that financial assets will be measured at amortised cost, except for equity instruments and derivative financial instruments that will be measured at fair value.

Notes *(continued)*

1 Accounting policies (continued)

1.14 Adopted IFRS not yet applied (continued)

IFRS 9 Financial Instruments (effective date 1 January 2018) (continued)

The Group intends to apply the general approach to the recognition of expected credit losses to all financial assets; except for trade receivables and leases to which the simplified approach will be taken regardless of whether they contain a significant financing component. The probability of default is not expected to be significant given the high credit quality of the financial assets. It is anticipated that more hedging instruments and hedged items will qualify for hedge accounting under IFRS 9. This analysis will continue in 2017.

IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018)

- Contracts with Customers' and the associated amendments and clarifications, all of which are effective for the Group from 1 January 2018. Following a preliminary analysis of income earning arrangements, there is thought to be no significant impact. This analysis will continue in 2017.

IFRS 16 Leases (effective date to be confirmed)

- The Group is currently analysing the impact of implementing IFRS 16 'Leases' ('IFRS 16') which is effective for the Group from 1 January 2019. The Group's only lease relates to land for the power plant, which is currently classified as operating leases under IAS 17 'Leases'. The Group expects to recognise 'right-of-use' assets and corresponding lease liabilities. The value of these is expected to be greater than the future minimum lease payments disclosed in Note 19. This analysis will continue in 2017.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date to be confirmed)

- The future application of this pronouncement is not expected to have a material impact on the Group's or Company's accounting policies, financial position or performance.
- This pronouncement has not yet been endorsed by the EU.
- Despite the IASB effective date of 1 January 2017, this pronouncement has yet to be endorsed by the EU (expected 2017). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the Group will apply this pronouncement for the accounting period following endorsement, i.e. 1 January 2018.

Amendments to IAS 7: Disclosure Initiative (effective date to be confirmed)

- The future application of this pronouncement is not expected to have a material impact on the Group's or Company's accounting policies, financial position or performance.
- This pronouncement has not yet been endorsed by the EU.
- Despite the IASB effective date of 1 January 2017, this pronouncement has yet to be endorsed by the EU (expected 2017). The endorsement notice will be reviewed for specific guidance but in the absence of further information it is anticipated that the Group will apply this pronouncement for the accounting period following endorsement, i.e. 1 January 2018.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed)

- The future application of this pronouncement is not expected to have a material impact on the Group's or Company's accounting policies, financial position or performance.
- This pronouncement has not yet been endorsed by the EU.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date to be confirmed)

- The future application of this pronouncement is not expected to have a material impact on the Group's or Company's accounting policies, financial position or performance.
- This pronouncement has not yet been endorsed by the EU.

Notes *(continued)*

2 Segment Information

All of the Group's revenue arose from the supply of electricity within Zambia, being a continuing operation. Given there is one business segment, in one geographical location, segmental analysis of turnover is not felt to be appropriate.

3 Turnover

	2016 $	2015 $
Supply of electricity	**28,742,206**	29,792,663
Total Revenue	**28,742,206**	29,792,663

All of the Group's revenue is earned from the supply of electricity within Zambia.

4 Other operating income

	2016 $	2015 $
Sale of containers	-	22,396
	-	22,396

5 Auditor's remuneration

	2016 $	2015 $
Audit of these financial statements	**65,000**	29,000
Disclosure below based on amounts receivable in respect of other services to the company and its subsidiaries		
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**33,115**	26,000
Taxation compliance services & other non-audit services	**15,600**	12,000

Amounts paid to the company's auditor and its associates in respect of services to the company, other than the audit of the company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Administration	**17**	17
Management	**3**	3
	20	20

The aggregate payroll costs of these persons were as follows:

	2016	2015
	$	$
Wages and salaries	**802,020**	823,804
	802,020	823,804

During the year 2016, the Group paid $213,548 (2015: $215,595) to the directors of various entities in the Group.

7 Finance income and expense

Recognised in profit or loss

	2016	2015
Finance expense	**$**	$
Total interest expense on financial liabilities measured at amortised cost	**765,337**	835,671
Interest on loans from related parties	**3,262,625**	4,146,986
Net foreign exchange loss	**-**	(222,428)
Total finance expense	**4,027,962**	4,760,229

8 Taxation

Recognised in the income statement

	2016	2015
	$	$
Current tax expense		
Current year	-	-
Current tax expense	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Deferred tax expense	-	-
Total tax expense	-	-

Notes *(continued)*

8 Taxation (continued)

Reconciliation of effective tax rate

	2016 $	2015 $
Profit for the year	**12,505,248**	14,134,652
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	**2,501,050**	2,862,267
Effect of tax rates in foreign jurisdictions	**(2,985,594)**	(2,862,267)
Non-deductible expenses	**74,503**	-
Current year losses for which no deferred tax asset was recognised	**410,041**	-
Total tax expense	**-**	-

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

At the year end, the Group has an unrecognised deferred tax asset of approximately $410,041 (2015: $nil) made up of losses carried forward. This asset has not been recognised due to uncertainty over future taxable profits.

The Group's main operating entity has an agreement with the Zambia Development Agency, whereby it receives a 100% corporation tax exemption until 2018, a 50% corporation tax exemption from 2018 until 2020 and a 25% corporation tax exemption from 2020 until 2021, in respect of its activities in Zambia.

Notes *(continued)*

9 Property, plant and equipment

Group

	Plant and Equipment $	Land and Buildings $	Office Equipment $	Motor Vehicles $	Assets under construction $	Total $
Cost						
Balance at 1 January 2015	57,199,936	7,896,670	292,137	240,145	-	65,628,888
Additions	7,096	104,190	13,480	-	8,901,469	9,026,235
Balance at 31 December 2015	**57,207,032**	**8,000,860**	**305,617**	**240,145**	**8,901,469**	**74,655,123**
Additions	62,180	-	19,719	-	32,019,471	32,101,370
Balance at 31 December 2016	**57,269,212**	**8,000,860**	**325,336**	**240,145**	**40,920,940**	**106,756,493**
Depreciation						
Balance at 1 January 2015	2,279,628	493,541	77,859	64,100	-	2,915,128
Depreciation	2,279,666	500,054	89,757	60,036	-	2,929,513
Balance at 31 December 2015	**4,559,294**	**993,595**	**167,616**	**124,136**	**-**	**5,844,641**
Depreciation	2,282,118	500,055	86,920	50,941	-	2,920,034
Balance at 31 December 2016	**6,841,412**	**1,493,650**	**254,536**	**175,077**	**-**	**8,764,675**
Net book value						
At 31 December 2015	52,647,738	7,007,263	138,001	116,008	8,901,469	68,810,479
At 31 December 2016	**50,427,800**	**6,507,210**	**70,800**	**65,068**	**40,920,940**	**97,991,818**

Security

The property, plant and equipment of Phase I is held as security against borrowings from PTA Bank of $20,000,000, the loan tenure being 8 years from 2011.

Property, plant and equipment under construction

The Group had launched Phase II of the power plant in the year 2015, with the expectation of doubling the capacity of the plant to over 100MWh. In development of Phase II continued and is included in the assets under construction balance of $40,920,940 (2015: $8,901,469).

Notes *(continued)*

10 Investments in subsidiaries

	Shares in group undertakings	Total
	$	$
Cost		
At beginning and end of year	**2,710**	2,710

The Company has the following investments in subsidiaries:

Company	Principal Place of Business	Registered Office Address	Nature of business	Class of shares held	Ownership 2016	Ownership 2015
G.L.E Lakes Energy Company Limited	Cyprus	Frangklinou Rousvelt 140B 3011, Limassol, Cyprus	Holding Company	Equity Shares	**100%**	100%
Great Lakes Energy Company N.V*	Netherlands	Valkenburgerweg 67, 6419AP, Herleen, Netherlands	Holding Company	Equity Shares	**100%**	100%
Ndola Energy Company Limited*	Zambia	Plot No. 5362, Leopards Hill Road, Off Kabulonga Roundabout, Lusaka, Zambia	Generation & supply of electricity	Equity Shares	**100%**	100%

*Shares are indirectly held.

Notes *(continued)*

11 Trade and other receivables

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Current trade and other receivables				
Trade receivables	**25,608,224**	11,240,604	**400**	-
Amount receivable form related parties	**-**	59,893	**-**	-
Prepayments and accrued income	**77,028**	214,737	**-**	-
Other receivables	**2,185,279**	101,208	**75,000**	-
Amount receivable from subsidiary undertakings	**-**	-	**11,251,720**	11,235,400
Total current trade and other receivables	**27,870,531**	11,616,442	**11,327,120**	11,235,400

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Non-current trade and other receivables				
Other receivables	**105,797**	-	**105,797**	-
Total non-current trade and other receivables	**105,797**	-	**105,797**	-

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Total trade and other receivables	**27,976,328**	11,616,442	**11,432,917**	11,235,400

12 Cash and cash equivalents

	2016 $	2015 $
Cash and cash equivalents	**4,838,168**	7,728,539

Notes *(continued)*

13 Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 17.

	2016	2015
	$	$
Non-current liabilities		
Unsecured loans from related parties	**56,740,000**	24,000,000
Interest payable to related parties	**15,820,492**	-
Secured loans from other entities	**5,282,700**	8,309,755
	77,843,192	32,309,755
Current liabilities		
Unsecured loans from related parties	**1,650,000**	1,650,000
Interest payable to related parties	**1,284,472**	-
Secured loans from other entities	**3,018,686**	3,018,687
	5,953,158	4,668,687

The secured loan is the remaining balance of a loan of $20,000,000 obtained from PTA Bank at an interest of 3 month LIBOR plus a margin of 7.6% per annum which was reduced to 6.6% per annum effective 4 April 2015. The loan is secured on the moveable and immovable assets of the company repayable quarterly and the tenure is 8 years from 2011.

The interest rate of 7.375% is determined as reasonable given that the loans borrowed by the Group in Zambia from third parties are also at similar rates of 3 month USD LIBOR +6.6%.

Loan Type	Currency	Interest Rate	Year of Maturity	Face Value (2016)	Carrying Amount (2016)	Face Value (2015)	Carrying Amount (2015)
Secured	USD	LIBOR +6.6%	2019	**8,301,386**	**8,301,386**	11,328,442	11,328,442
Unsecured	USD	7.375%	2020	**41,240,000**	**41,240,000**	8,500,000	8,500,000
Unsecured	USD	0.000%	On Demand	**50,000**	**50,000**	50,000	50,000
Unsecured	USD	15.000%	On Demand	**1,400,000**	**1,400,000**	1,400,000	1,400,000
Unsecured	USD	15.000%	2019	**15,500,000**	**15,500,000**	15,500,000	15,500,000
Unsecured	USD	15.000%	On Demand	**200,000**	**200,000**	200,000	200,000

Notes *(continued)*

14 Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
Trade payables	**2,764,238**	4,099,372	**276,510**	205,365
Trade payables to related parties	**-**	367,281	**562,946**	117,657
Interest payable to related parties	**-**	13,561,936	**-**	-
Other payables	**303,720**	1,287,686	**-**	-
Accruals	**402,090**	754,717	**-**	132,111
Payables to subsidiary undertakings	**-**	-	**5,000,000**	-
	3,470,048	20,070,992	**5,839,456**	455,133

15 Provisions

	Rehabilitation cost
	$
Balance at 1 January 2016 and 31 December 2016	**215,380**

The Group's operating subsidiary, Ndola Energy Company Limited ("NECL"), is required at the end of the Power Purchase Agreement period to rehabilitate environmental disturbances caused by its operations. The restoration, rehabilitation and environmental provision represent the directors' best estimate of expenditure required to settle the obligation. NECL is expected to make contributions to the Environmental Protection Fund, controlled by the Department of Mines and Mineral Development, Zambia.

A valuation for the environmental restoration provision was performed on 31 December 2015 using the assumptions applied by an independent expert in calculating the provision for a similar plant. The Directors have formed an opinion that the provision has not materially changed in the year ended 31 December 2016 during the construction period of the Phase II of the project, as this was not commissioned until 2017. A further independent valuation will be carried out for year ended 31 December 2017, but the Directors do not feel that it will have a material impact.

The timing of decommissioning payments is expected to occur when the land rental agreement expires in 2027. The liability for restoration, rehabilitation and environmental obligations is undiscounted as the effect of discounting is considered immaterial to the financial statements.

16 Capital and reserves

Share capital and share premium

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
1,000,000 Ordinary shares of $0.001 each	**10,000**	10,000	**10,000**	10,000
Share Premium	**11,228,110**	11,228,110	**11,228,110**	11,228,110
	11,238,110	11,238,110	**11,238,110**	11,238,110

Notes *(continued)*

17 Financial instruments

17(a) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group has only one customer and has both a concentration risk a credit risk. ZESCO Limited is a company owned by the Government of the Republic of Zambia and given the power shortfall that exists in that country, the Board believe that the risk of default is low.

The maximum exposure to credit risk at the balance sheet date by class of financial instrument was;

	2016	2015
	$	$
Cash and cash equivalents	**4,838,169**	7,728,539
Other receivables	**180,796**	-
Trade receivables	**25,608,224**	11,240,604
Total	**30,627,189**	18,969,143

The concentration of credit risk for trade receivables at the balance sheet date by geographic region was:

	2016	2015
	$	$
Zambia	**25,608,224**	11,240,604
UK	**105,796**	-
Kenya	**75,000**	-
Total	**25,789,020**	11,240,604

The concentration of credit risk for trade receivables at the balance sheet date by customers was:

	2016	2015
	$	$
ZESCO Limited	**25,608,224**	11,240,604

Credit quality of financial assets and impairment losses

The aging of trade receivables at the balance sheet date was:

	Gross 2016	**Impairment 2016**	Gross 2015	Impairment 2015
	$	**$**	$	$
Not past due	**3,000,639**	**-**	2,955,716	-
Past due (0-30 days)	**2,799,077**	**-**	2,980,071	-
Past due (31-120 days)	**5,373,867**	**-**	5,304,817	-
More than 120 days	**14,434,741**	**-**	-	-
Total	**25,608,324**	**-**	11,240,604	-

No impairment or provision to the amount due from ZESCO is deemed necessary by the Directors as it is backed by the Government of the Republic of Zambia and a payment plan has been agreed in July 2017.

Notes *(continued)*

17 Financial instruments *(continued)*

17 (b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that sufficient resources and flexibility is maintained to allow the Company and Group to meet its obligations without incurring unacceptable losses or risking damage to the Great Lakes name in the market place. The Group manages liquidity risk by maintaining adequate banking facilities and continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

2016

	Carrying amount $	Contractual cash flows $	1 year or less $	1 to 2years $	2 to 5 years $	5 years and over $
Non-derivative financial liabilities						
Secured bank loans	8,301,387	9,285,101	3,585,067	3,346,591	2,353,442	-
Trade and other payables	3,470,048	3,470,048	3,470,048	-	-	-
Unsecured loans from related parties	75,494,964	94,420,660	2,934,472	-	91,486,188	-

2015

	Carrying amount $	Contractual cash flows $	1 year or less $	1 to 2years $	2 to 5 years $	5 years and over $
Non-derivative financial liabilities						
Secured bank loans	11,328,442	11,328,442	3,018,687	3,027,055	5,282,700	-
Trade and other payables	20,070,992	20,070,992	20,070,992	-	-	-
Unsecured loans from related parties	25,650,000	25,650,000	1,650,000	-	24,000,000	-

Notes *(continued)*

17 Financial instruments *(continued)*

17 (c) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Market risk - Price risk

The Group is exposed to fluctuation in global energy prices. Part of the Group's contract with ZESCO Limited links the price the Group is able to charge to the US PPI Index. The Group has mitigated this exposure by ensuring that the majority of its income is linked to a capacity fee, charged at a price not linked to external markets.

Market risk - Foreign currency risk

The Group is exposed to currency risk on purchases and cash and cash equivalents denominated in a currency other than US dollar, primarily Euro and Zambian Kwacha ("ZMW"). The Group mitigated this risk by holding bank accounts in Euro and ZMW as well as US dollar so that liabilities can be settled in the denomination in which it occurs. The Group has ensured that all sales and borrowings are denominated in US dollars. The Group does not use any hedging strategies.

The Group's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts:

31 December 2016

	Sterling (In USD)	Euro (In USD)	ZMW (In USD)	Total (In USD)
Cash and cash equivalents	12,343	8,915	7,147	28,405
Trade receivables	-	-	2,172,307	2,172,307
Trade payables	-	(2,232,563)	(667,192)	(2,899,755)
Net exposure	12,343	(2,223,629)	1,512,262	(699,043)

31 December 2015

	Sterling (In USD)	Euro (In USD)	ZMW (In USD)	Total (In USD)
Cash and cash equivalents	-	57,524	56,061	113,585
Trade receivables	-	85,641	299,176	384,817
Trade payables	-	(3,352,419)	(6,420)	(3,358,839)
Net exposure	-	(3,209,254)	348,817	(2,860,437)

The following rates have been applied:

USD	*2016 (Avg Rate)*	*2015 (Avg Rate)*	*2016 (year End Spot rate)*	*2015 (year End Spot rate)*
Euro	*1.1531*	*1.0724*	*1.0541*	*1.0907*
GBP	*1.3705*	*1.5324*	*1.2345*	*1.5062*
ZMW	*0.0958*	*0.1158*	*0.1010*	*0.0911*

Notes *(continued)*

17 Financial instruments *(continued)*

17 (c) Market risk (continued)

Sensitivity analysis

A 10 percent strengthening of the USD against the Euro at 31 December 2016 would have increased the profit for the period and reduced the accumulated profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2015.

Effect in USD

	2016	2015
	Profit	Profit
10% on Net exposure to currency risks (EURO)	**222,363**	320,925
10% on Net exposure to currency risks (ZMW)	**(151,226)**	34,881
10% on Net exposure to currency risks (GBP)	**(1,234)**	-
Total	**69,903**	355,806

A 10 percent weakening of the USD against the above currencies at 31 December 2016 would have had the equal but opposite effect on the above currencies to the amounts shown.

Market risk – Interest rate risk

Profile

At the balance sheet date the interest rate profile of the Group's interest-bearing financial instruments was:

	2016	2015
	$	$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	**58,390,000**	25,650,000
Variable rate instruments		
Financial assets	-	-
Financial liabilities	**8,301,387**	11,328,442

The variable interest rate is on the secured loan from PTA Bank, which is based on 3 Month USD LIBOR.

Sensitivity analysis

A change of 10 basis points in interest rates at the balance sheet date would have decreased equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of financial instruments with variable interest rates, financial instrument at fair value through profit or loss or available for sale with fixed interest rates and the fixed rate element of interest rate swaps. The analysis is performed on the same basis for 2015.

	2016	2015
	$	$
Profit or loss		
Increase	-	-
Decrease	**83,013**	113,284

Notes *(continued)*

17 Financial instruments *(continued)*

Fair Value of Financial instruments

Fair value of a financial instrument is defined as the amount for which the instrument could be exchanged in a current transaction between willing parties, other than in a force or liquidation sale. Wherever applicable, further information about the assumptions made in determining the fair value is disclosed in the notes specific to the asset or liability.

	2016		2015	
Group	**Carrying Amount (USD)**	**Fair Value (USD)**	Carrying Amount (USD)	Fair Value (USD)
Financial assets				
Cash and cash equivalents	**4,838,168**	**4,838,169**	7,728,539	7,728,539
Trade and other receivables	**27,976,328**	**27,976,328**	11,432,917	11,432,917
Financial liabilities				
Trade and other payables	**(3,470,048)**	**(3,470,048)**	(5,839,456)	(5,839,456)
Loans and borrowings including interest accrued	**(83,796,350)**	**(83,796,350)**	(50,552,502)	(50,552,502)

Measurement of financial instruments

The Group holds certain financial instruments which are measured in the balance sheet at fair value. The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

In the current and previous year, all financial instruments held by the Group are level 3.

18 Operating leases

The Group has taken land and office space under operating lease for its operations. The land has been taken on lease for a period of 16 years with an option to increase the term for a further 5 years. The monthly lease payment for the land is $5,000. Further, the Company also has an office under operating lease for annual lease amount of GBP 80,750.

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	$	$
Less than one year	**159,686**	60,000
Between one and five years	**638,744**	240,000
More than five years	**615,000**	375,000
Total	**1,413,429**	675,000

19 Commitments

Capital commitments

During the year ended 31 December 2015, the Group entered into an engineering, procurement and construction contract for the construction of Phase II of the power plant in Zambia. The total capital commitment for this was $49,837,410. As at 31 December 2016, the Group had already spent $40,920,940 of this, the balance outstanding at 31 December 2016 was $8,916,470.

Notes *(continued)*

20 Contingencies

A contingent liability has been given as a guarantee of $477,507 to third parties with ECP Bank, Zambia (2015: $53,665).

21 Related parties

The following loans were owed to companies under the common control of H Kariuki, the ultimate controlling party of the Group, by the Company and its subsidiaries:

Year ended 31 December 2016

	Loan payable ($)	Interest payable ($)	Interest charged for the year ($)
Dalbit International Limited	**56,740,000**	**15,820,493**	**3,022,625**
Dalbit Petroleum Limited	**200,000**	**159,370**	**30,000**
Sonia Finance Limited	**50,000**	**-**	**-**
Concordia Energy Group Limited	**1,400,000**	**1,125,102**	**210,000**
	58,390,000	**17,104,965**	**3,262,625**

Year ended 31 December 2015

	Loan payable ($)	Interest payable ($)	Interest charged for the year ($)
Dalbit International Limited	24,000,000	12,517,464	3,906,986
Dalbit Petroleum Limited	200,000	129,370	30,000
Sonia Finance Limited	50,000	-	-
Concordia Energy Group Limited	1,400,000	915,102	210,000
	25,650,000	13,561,936	4,146,986

The loan payable to Dalbit International Limited is due in September 2019 for $15,500,000 and attracts 15% interest and December 2020 for $41,240,000 attracts interest at 7.375%. All other loans are repayable on demand and attract interest at 15%, except Sonia Finance Limited, which is interest free.

Key Management Personnel

During the year 2016, the Group paid $213,548 (2015: $215,595) to the directors of various entities in the Group. These directors represent the key management personnel of the Group.

The Company and the Group also had the following trading balances with entities under common control of H Kariuki, the ultimate controlling party of the Group:

	2016 Balance owed to the Group / (by the Group) $	2015 Balance owed to the Group / (by the Group) $
Belgravia Services Limited	**(2,889)**	(367,281)
Dalbit International Limited	**-**	59,893

These balances are repayable on demand and no interest has been charged.

Notes *(continued)*

22 Critical accounting judgements and key sources of estimation uncertainty

In determining and applying accounting policies, judgement is often required in respect of items where the choice of specific policy to be followed could materially affect the reported amounts of revenues, expenses, assets and liabilities of the group should it later be determined that a different Choice would be more appropriate. In addition, in preparing the consolidated accounts in conformity with IFRS, the Company is required to make estimates and assumptions that impact on the reported amounts of revenues, assets and liabilities of the Group. Actual results may differ from these estimates. These are discussed below. These critical accounting judgements and key sources of estimation uncertainty should be read in conjunction with the full statement of accounting policies in note 1.

Revenue

The nature of the energy industry in the Zambia in which the Group operates is such that the Group's revenue recognition is not subject to any degree of estimation. The assessment of energy sales to ZESCO, which is the only customer of the Group, is based on meter readings, which are carried out at the end of every month. Revenue from the sale of energy to ZESCO Limited is based on the value of the units supplied to between the dates of their last meter reading. At the end of each month, amounts of energy delivered since the last billing date are calculated and recorded in revenue.

Impairment of Trade Receivables

Trade receivables are stated net of allowance for impairment of doubtful debts. The Group estimates its provision for impairment taking into account future cash flows, based on prior experience, ageing analysis and an assessment of the current economic environment within which the Group operates. Such estimates involve a significant degree of judgement. The provision for impairment of trade receivables at 31 December 2016 amounted to $nil (2015: $nil) and trade receivables and accrued income (net of the provision for impairment) amounted to $27,976,328 (2015: $11,616,442).

Impairment of property, plant and equipment

In certain circumstances property, plant and equipment is required to be reviewed for impairment. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of the expected future cash flows of the relevant Cash Generating Unit ("CGU"), or disposal value if higher. The discount rate applied is based on the Group's weighted average cost of capital with appropriate adjustments for the risks associated with the CGU. Estimates of cash flows involve a significant degree of judgement and are consistent with management's plans and forecasts. At 31 December 2016, the carrying value of property, plant and equipment amounted to $97,991,818 (2015: $68,810,479).

Decommissioning and environmental

The Group periodically revises the estimates made concerning the costs to be incurred in the decommissioning of the Group's plant in Zambia. At 31 December 2016, the present value of the aforementioned costs amounted to $215,380 (2015: $215,380).

23 Ultimate parent company and parent company of larger Group

The Group's ultimate controlling party is H Kariuki.

24 Subsequent events

Commercial production for Phase II started in March 2017. The Company also entered into an investment agreement for a solar power plant in Uganda.