InfraCo Africa Investment Limited

Company Registration No 09152403

Annual Report

For the year ended 31 December 2021

INFRACO AFRICA INVESTMENT LIMITED

COMPANY INFORMATION

Directors	Michael Barry Chilton James Lionel Cohen Godfrey Morgin Mwindaare Tania Louise Songini Philippe Valahu (Chair)
Company secretary	Vistra Company Secretaries Limited
Registered number	09152403
Registered office	6 Bevis Marks London United Kingdom EC3A 7BA
Independent auditors	BDO LLP Chartered Accountants & Statutory Auditor 55 Baker Street London W1U 7EU

INFRACO AFRICA INVESTMENT LIMITED

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INFRACO AFRICA INVESTMENT LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their Report together with the financial statements of InfraCo Africa Investment Limited (the "Company") for the year ended 31 December 2021.

Directors

The Directors who served during the year were:

Michael Barry Chilton
James Lionel Cohen
Godfrey Morgin Mwindaare
Tania Louise Songini
Phillippe Valahu

Principal activities

The principal activities of the Company are to make investments in eligible infrastructure businesses with the objectives of:

(a) addressing market failures in the supply of capital to early-stage infrastructure projects in eligible countries which can delay and sometimes prevent financial close of viable infrastructure projects; and

(b) in certain cases, facilitating the accelerated construction and completion of infrastructure projects that satisfy the criteria for bridge investments and/or impact investments.

Dividends

The Directors do not recommend the payment of a dividend (2020: £nil).

Review of operations and financial results

The results of the Company for the year, set out on page 7, show a profit on ordinary activities before tax of £3,972,975 (2020: £2,991,525 loss). The shareholders' equity of the Company, set out on page 8, is £61,373,298 (2020: £34,750,323).

Going concern

The financial statements have been prepared on a going concern basis, which assumes the Company will continue in operational existence for the foreseeable future. The Directors have prepared financial forecasts and projections for a period of at least 12 months from the date of issue of the financial statements and the Directors have made supported assumptions regarding future funding, and share capital to be issued, which the Directors feel is sufficient for the financial statements to be prepared on the going concern basis.

This assessment is supported by the following:

- the Directors' assessment includes the requirement of the Company's shareholders to always hold sufficient contingency cash to cover a specified period of future expected costs. This would cover any potential cash deficit that might arise in the next 12 months; and

- cashflow is controlled by management with considerable oversight and enforced controls in relation to cash disbursement procedures. Commitments to make any future investments are purely contingent on receiving further funding from relevant PIDG Trust members.

Statement of disclosure to the auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

The Company's operating geographies continue to face considerable challenges. Even as governments, businesses and individuals contend with the aftermath of the pandemic and evolve to a post-covid environment, risks from outbreaks driven by new variants persist. Sooner than expected monetary policy tightening in key developed economies presents credit and market risks to InfraCo Africa Investment Limited and its projects. Equally, rising conflict and political instability in the Sahel remains an area of concern and presents financial and security risks to Company operations. Finally, the ongoing Russia-Ukraine conflict and resultant rise in commodity and food prices could adversely impact macroeconomic fundamentals for select countries, impact individual livelihoods as inflation rises, and potentially affect commercial viability of Company projects as input costs increase. All of these factors may impact the Company's ability to manage the delivery of performance targets agreed with its members. The Directors will continue to work with senior management to closely monitor these emerging risks and assess the impact on operations, projects and its performance targets in the short and long-term.

Auditors

The auditor for the year was BDO LLP.

Small company regime

In preparing this report, the Directors have taken advantage of the small companies' exemptions provided by section 415A of the Companies Act 2006.

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

Michael Barry Chilton
Director

30 March 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2021

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards. 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 Company and the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates which are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company' profit for the year then ended;
- the Company financial statements have been properly prepared in accordance with UK adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of InfraCo Africa Investment Limited for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- enquiring management and the audit committee;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing minutes of meetings of those charged with governance;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments;
- assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- considering the effectiveness of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Peter Smith

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Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
30 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INFRACO AFRICA INVESTMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Dividend income	**3**	209,454	-
Other income	**3**	51,019	32,191
Fair value gains/(losses) through profit or loss	**9**	4,463,186	(357,918)
Project development fees		(230,416)	(523,550)
Administrative expenses		(633,552)	(442,260)
Operating profit/(loss)	**4**	**3,859,691**	**(1,291,537)**
Net foreign exchange differences	**5**	82,192	(1,699,988)
Interest receivable	**8**	31,092	-
Profit/(loss) on ordinary activities before taxation		**3,972,975**	**(2,991,525)**
Tax on loss on ordinary activities	**10**	-	-
Total comprehensive profit/(loss) for the year		**3,972,975**	**(2,991,525)**

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 11 to 31 form part of these financial statements.

INFRACO AFRICA INVESTMENT LIMITED
Registered number: 09152403

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note		2021		2020
		£	£	£	£
Assets					
Non-current assets					
Investments at FVTPL	**13**	32,078,452		20,055,330	
Total non-current assets			**32,078,452**		**20,055,330**
Current assets					
Trade and other receivables	**11**	209,875		43,215	
Cash and cash equivalents	**12**	29,707,644		15,059,898	
Total current assets			**29,917,519**		**15,103,113**
Total assets			**61,995,971**		**35,158,443**
Equity and liabilities					
Capital and reserves					
Share capital	**17**	42,202,130		38,052,130	
Shares to be issued	**17**	18,500,000		-	
Retained earnings		671,168		(3,301,807)	
Total equity			**61,373,298**		**34,750,323**
Current liabilities					
Trade and other payables	**14**		277,881		243,018
Non-current liabilities					
Grants payable	**15**		344,792		165,102
Total liabilities			**622,673**		**408,120**
Total equity and liabilities			**61,995,971**		**35,158,443**

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Michael Barry Chilton
Director

30 March 2022

The notes on pages 11 to 31 form part of these financial statements.

INFRACO AFRICA INVESTMENT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Share Capital	Retained earnings	Shares to be issued	Attributable to owners of the parent
		£	£	£	£
Balance as at 1 January 2020		**112,130**	**(310,282)**	**-**	**(198,152)**
Loss for the year		-	(2,991,525)	-	**(2,991,525)**
Total comprehensive loss for the year		-	(2,991,525)	**-**	**(2,991,525)**
Issue of shares	**17**	37,940,000	**-**	**-**	**37,940,000**
Balance at 31 December 2020		**38,052,130**	**(3,301,807)**	**-**	**34,750,323**
Balance as at 1 January 2021		**38,052,130**	**(3,301,807)**	**-**	**34,750,323**
Profit for the year		-	3,972,975	-	**3,972,975**
Total comprehensive profit for the year		**-**	3,972,975	**-**	**3,972,975**
Issue of shares	**17**	4,150,000	-	**-**	**4,150,000**
Shares to be issued	**17**	-	-	18,500,000	**18,500,000**
Balance at 31 December 2021		**42,202,130**	**671,168**	**18,500,000**	**61,373,298**

Retained earnings represents all accumulated retained earnings from the statement of comprehensive income.

Shares to be issued represent contribution from members of the Company towards future share issuance.

The notes on pages 11 to 31 form part of these Financial Statements.

INFRACO AFRICA INVESTMENT LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		£	£
Cash flows from operating activity			
Profit/(Loss) for the year		3,972,975	(2,991,525)
Add/(deduct):			
Other foreign exchange (gains)/losses	**5**	(82,192)	1,699,988
Income receivable	**3**	(260,473)	(32,191)
Foreign exchange (gains)/losses on investments	**9**	(36,137)	357,918
Foreign exchange losses/(gains) on grant payable	**15**	3,783	(9,527)
Change in fair value movement on financial assets	**9**	(4,459,391)	55,857
Change in fair value movement on financial liabilities	**15**	32,342	(55,857)
Interest receivable	**8**	(31,092)	-
Increase in receivables		(166,660)	(39,071)
Increase/(decrease) in payables		34,863	(753)
Movement in accrued income		137,079	-
Net cash used in operating activities		**(854,903)**	**(1,015,161)**
Cash flows from investing activity			
Payments for investments	**13**	(7,496,502)	(20,469,105)
Dividend income received		94,943	-
Other income received		23,099	-
Grant income received	**15**	143,565	230,486
Net cash used in investing activities		**(7,234,896)**	**(20,238,619)**
Cash flow from financing activity			
Issue of ordinary shares	**17**	4,150,000	37,940,000
Shares to be issued	**17**	18,500,000	-
Interest income received		5,352	32,191
Net cash generated from financing activity		**22,655,352**	**37,972,191**
Net increase in cash and cash equivalents		14,565,554	16,718,411
Cash and cash equivalents at the beginning of the year		15,059,898	41,475
Exchange gains/(losses) on cash and cash equivalents	**5**	82,192	(1,699,988)
Cash and cash equivalents at the end of the year		**29,707,644**	**15,059,898**

The notes on pages 11 to 31 form part of these Financial Statements.

1. Accounting Policies

1.1 Basis of preparation of financial statements

InfraCo Africa Investment Limited is a private company, limited by shares incorporated in England and Wales. Its registered office and principal place of activity is 6 Bevis Marks, London, EC3A 7BA.

The principal activities of the Company are to make investments in eligible infrastructure businesses with the objectives of:

(a) addressing market failures in the supply of capital to early-stage infrastructure projects in eligible countries which can delay and sometimes prevent financial close of viable infrastructure projects; and

(b) in certain cases, facilitating the accelerated construction and completion of infrastructure projects that satisfy the criteria for bridge investments and/or impact investments.

The financial statements are presented in Pounds Sterling (£), which is also the Company's functional currency.

The financial statements have been prepared in accordance with UK adopted international accounting standards which requires the use of certain critical accounting estimates, outlined in note 2. It also requires management to exercise judgment in applying the accounting policies.

The financial statements have been prepared on a historical cost basis, except for financial instruments with are recognised at fair value through profit or loss (FVTPL).

Basis of consolidation

In accordance with IFRS 10 "Consolidated Financial Statements" as amended, the Board has determined that the Company meets the definition of an investment entity which is mandatorily exempted from consolidating subsidiaries unless this provides investment-related services and are not themselves investment entities. The services provided by the investment companies are undertaken to maximise the Company's investment returns and do not represent a separate substantial business activity or substantial source of income.

The Company has been deemed to meet the definition of an investment entity per IFRS 10, supported by the existence of the following operational characteristics:

- The Company has more than one investment (see note 13);
- It has investors who are not related parties of the entity; and
- It has ownership interests in the form of equity or similar interests (see note 13).

The Company currently obtains funding from one main funder (the UK Government's Foreign, Commonwealth and Development Office), to whom it has committed that its business purpose is to invest funds solely for the returns from capital appreciation and investment income.

The Company is exposed to, and has rights to, the returns from the investment companies. The Company further has the ability to affect the amount of its returns from these investments which represents elements of control as prescribed by IFRS 10. The fair value method is used to represent the investments' performance in reporting to the Board, and to evaluate the performance of the investments and to make investment decisions.

The Company typically invests in operational assets with the aim to hold direct/equity investments for no longer than 10 years, as set out in the PIDG Group Risk Appetite Policy. Management considers this to demonstrate a clear exit strategy which is put in place from the start in identifying an off taker. Due to the length of projects and nature of changing risk environments, management have control processes in place to adapt and amend strategies as required.

As a result, under the terms of IFRS 10, the Company should not consolidate these investment companies, but should measure its investment in these companies at FVTPL.

1. Accounting Policies (continued)

1.1 Basis of preparation of financial statements (continued)

Standards, amendments and interpretations

Adopted in the current year

There are no new standards impacting the Company that have been adopted in the annual financial statements for the year ended 31 December 2021.

All new and amended standards and interpretations issued by the IASB that apply for the first time in the financial statements for the year ended 31 December 2021 are not expected to impact the Company. This is because they are either not relevant to the Company's activities or require accounting which is consistent with the Company's current accounting policies. These are listed below.

Other standards, amendments and interpretations adopted in the current financial year ended 31 December 2021

The adoption of the following mentioned standards, amendments and interpretations in the current year have not had a material impact on the Company's financial statements.

	Effective date Periods beginning on or after
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16).	30 June 2021
Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

Standards, amendments and interpretations in issue but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The following are either not relevant to the Company's operations or are currently under assessment for their applicability to the Company's operations:

	Effective date Periods beginning on or after
Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022
Annual Improvements to IFRS Standards 2018-2020: Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 January 2022
References to Conceptual Framework: Amendments to IFRS 3	1 January 2022
Disclosure of Accounting Policies: Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Definition of Accounting Estimates: Amendments to IAS 8	1 January 2023
Deferred Tax Related to Assets and Liabilities arising from a Single Transaction: Amendments to IAS 12	1 January 2023

1. Accounting Policies (continued)

1.1 Basis of preparation of financial statements (continued)

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

In response to feedback and enquiries from stakeholders, in December 2020, the IFRS Interpretations Committee (IFRIC) issued a Tentative Agenda Decision, analysing the applicability of the amendments to three scenarios. However, given the comments received and concerns raised on some aspects of the amendments, in April 2021, IFRIC decided not to finalise the agenda decision and referred the matter to the IASB. In its June 2021 meeting, the IASB tentatively decided to amend the requirements of IAS 1 with respect to the classification of liabilities subject to conditions and disclosure of information about such conditions and to defer the effective date of the 2020 amendment by at least one year.

InfraCo Africa Investment Limited is currently assessing the impact of these new accounting standards and amendments. The Company will assess the impact of the final amendments to IAS 1 on classification of its liabilities once they are issued by the IASB. The Company does not believe that the amendments to IAS 1, in their present form, will have a significant impact on the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

1.2 Going concern

The financial statements have been prepared on a going concern basis, which assumes the Company will continue in operational existence for the foreseeable future. The Directors have prepared financial forecasts and projections for a period of at least 12 months from the date of issue of the financial statements and the Directors have made supported assumptions regarding future funding, and share capital to be issued, which the Directors feel is sufficient for the financial statements to be prepared on the going concern basis.

The above assessment is supported by the following:

- The Company has significant liquid cash available at year-end;
- Management's assessment includes the requirement of the PIDG Trust's members to always have contingency cash to cover a specified period of future expected costs; and
- Cashflow is controlled by management with considerable oversight and enforced controls in relation to cash disbursement procedures.

1.3 Revenue and other income

Due to the nature of the Company being defined as an investment entity and reported under such requirements of IFRS 10, there is no expected revenue from trade within the normal course of business.

Dividend income received from equity investments is recognised through profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investment's carrying amount. Dividend income is recognised when the right to receive payment is established. Where the right to receive a dividend is in doubt, dividends are recorded on the date of receipt.

1. Accounting Policies (continued)

1.3 Revenue and other income (continued)

Other income from the sales of projects is recognised when the Company has transferred the significant risks and rewards of ownership to the buyer, and it is probable that the Company will receive the agreed upon payments.

Provided the amount of other income can be measured reliably and it is probable that the Company will receive any consideration, other income is recognised in the period in which it relates.

1.4 Grants

The Company receives income in the form of grants to cover certain expenditure relating to its projects. Such grants are treated as deferred revenue on receipt and credited to the statement of comprehensive income as the related expenditure is incurred. Grant receipts not yet utilised are included in deferred income as at the Statement of Financial Position (SOFP) date.

For returnable grants, and where the related expenditure is capitalised under an investment agreement, a grant payable is recognised on the SOFP. This is then assessed under IFRS 9, “Financial Instruments”, to determine the correct accounting treatment.

1.5 Financial instruments

Management determines the classification of its financial instruments at initial recognition.

Financial assets/liabilities can be classified in the following categories:

- financial assets/liabilities at fair value through profit or loss (FVTPL); or
- financial assets/liabilities at amortised cost.

Due to their short-term nature, the carrying value of trade and other payables approximates their fair value, all other financial liabilities are measured at amortised cost with the exception of the grant liability which is inherently linked to the investment of which it is disbursed against and is therefore measured in line with the asset at FVTPL.

Financial assets at fair value through profit or loss

This category consists of equity and debt investments held on the SOFP. Assets in this category are recognised at fair value. The Company establishes fair value using valuation techniques in line with the Company valuation policy and International Private Equity and Venture Capital (IPEV) valuation guidelines. These include a Market Approach, for example the Price of Recent Investment (PORI) or comparable multiple, an Income Approach, for example discounted cash flow (DCF) and a Cost Approach, for example determining a multiple of costs at which a market participant would buy an asset or investment. Typically, a combination of techniques is applied in considering a range of fair values on a case-by-case basis.

Loans and receivables and financial liabilities at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, whose recoverability is based solely on the credit risk of the customer and where the Company has no intention of trading the loan.

Both loans and receivables and financial liabilities are initially recognised at fair value including direct and incremental transaction costs. Subsequent recognition is at amortised cost using the effective interest rate method less any provision for impairment.

1. Accounting Policies (continued)

1.6 Current taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the SOFP date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

1.10 Trade and other receivables

Short term debtors are measured at transaction price, less any impairment.

1.11 Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company’s ordinary shares are classified as equity instruments.

2. Critical accounting estimates and judgements

Fair value measurement

A number of assets and liabilities included in the financial statements require measurement at, and disclosure of, fair value. The Company's valuation methodology is driven by stages of the investment cycle split by Development, Construction and Operation. In all cases, a value based on an appropriate valuation methodology in accordance with IPEV valuation guidelines will be attributed to the investment.

The Company typically invests in operational assets although where certain criteria are met, the Company also provides funds for development to reach operational milestone. For projects in Development, there is usually no identifiable market price for the investments. The fair value is therefore driven by the prospects of the project and what a market participant would pay for InfraCo Africa Investment's interest in a project at the reporting date. The Company's valuation policy is to write off the costs incurred prior to the signing of an investment agreement. Projects prior to this are classified as business opportunities and fully expensed through Profit and Loss. At the signing of an investment agreement e.g. a Shareholders' Agreement (SHA) or a Convertible Loan Agreement (CLA) a value based on an appropriate valuation methodology will be attributed to the investment.

In the absence of third party offers, the Board needs to assess the multiple of costs that would be recoverable from a market participant. This multiple of costs is driven by external costs incurred to date applying a risk adjustment and accounting for the time value of money.

For investments that have been partially sold or where there has been a recent offer to purchase, then these investments have been valued accordingly. Fair value is also reviewed against market value where transactions occur close to the reporting date.

IFRS 13 "Fair Value Measurement" requires disclosure of fair value measurement by level. The level of fair value hierarchy within the financial assets or financial liabilities is determined on the basis of the lowest level input that is significant to the fair value measurement. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under IFRS 13 are as follows:

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

As at the year ended 31 December 2021, the Company recognises investments in four assets on its Statement of Financial Position. All investments fall within Level 3, as they are not traded and contain unobservable inputs. If it were to occur, transfers of items between levels are recognised in the period they happen.

Each investment has unique risk factors associated with it which are evaluated on a case-by-case basis. These could range from different geographical, sector and socio-political risks and thus the fair value is assessed on an investment specific basis.

2. Critical accounting estimates and judgements (continued)

Discounted Cash Flow (DCF) and key judgments

Where required, management rely on estimated future cashflows of project companies and associated discount factors. This requires significant management judgment both in terms of assessing the expected income and costs going forwards, but also in terms of discount factor applied.

Discount factors are determined on an investment specific basis assessing the considered level of risk at the time. This is updated at each reporting date.

When determining an appropriate discount rate for each investment, the following may be considered:

- The Investment's internal rate of return (IRR) at the original investment date, if available. Any changes in the risk of the Investment since that time would also be considered;
- Data points sourced from the Company's other Investments, such as the IRR for comparable Investments, acknowledging differences in risk between the comparable Investments and the subject Investment;
- Information on discount rates for comparable instruments available in the public domain; and
- An estimate of the market-based discount rate based on a build-up approach, capital asset pricing model (CAPM) or weighted-average cost of capital (WACC), where relevant.

The discount rate may also include an additional risk premium (ARP), assessed on a case-by-case basis, to reflect risks related to the Investments to the extent they are not already reflected in the CAPM. The methodology applied in the discount factor build-up also drives the risk assessment carried out for investments in Development.

Expected future cash flows also present an area of key judgment and estimate. The DCF valuation model is typically only used to value equity investments in Operation. When an investment is valued under this methodology, projected cash flows are calculated using a third-party provider of cash flow information and an appropriate model based on the operations and activity of that Company. This information is then updated at each reporting date and an assessment of discount factor applied is carried out to assess if any significant change in environment might trigger an amended discount factor.

Due to the high-risk nature of the projects and countries invested in, the discount factors are usually high. Investment managers have considerable expertise, oversight and influence in assessing both the future cashflows and the discount factor. This presents a strong control environment around the assessment of these key judgment areas and the impact it has on the Fair Value measurement of the Company's investments. Where the DCF methodology is not deemed appropriate, this will be assessed and documented on a case-by-case basis and a more applicable method will be applied in line with the Company's valuation policy and IPEV guidelines.

The following table sets out the techniques used to measure each of these investments:

Investment	Investment Stage	Valuation technique	Fair Value 2021 £	Fair Value 2020 £
Africa GreenCo Group, Zambia	Development	Multiple of costs	378,812	165,102
Infrastructure Credit Guarantee Company Limited, Nigeria	Operation	Discounted cash flow	24,311,843	19,890,228
The Acorn Student Accommodation D-REIT, Kenya	Construction	PORI	2,216,326	-
The Acorn Student Accommodation I-REIT, Kenya	Operation	PORI	5,171,471	-
Total			**32,078,452**	**20,055,330**

3. Income

	2021 £	2020 £
Dividend income	209,454	-
Other income	51,019	32,191
Total	**260,473**	**32,191**

Dividend income relates to dividends receivable from The Acorn Student Accommodation Income Real Estate Investment Trust of £209,454 (2020: £nil).

Other income relates to deposit interest income of £4,413 (2020: £32,163) and Directors' fees receivable by the company for services provided to investee companies of £46,606 (2020: £nil).

100% and 91.4% of dividend and other income respectively was generated outside the United Kingdom.

4. Operating profit

The operating profit (2020: loss) is stated after charging:

	2021 £	2020 £
Loss on foreign exchange	4,275	12,181
Management service fees paid to related entity	582,382	423,059
Fees payable to the auditor:		
Audit of the financial statements	20,500	12,000
Taxation services	2,050	2,000

5. Net foreign exchange differences

	2021 £	2020 £
Exchange gains/(losses) arising on cash and cash equivalents	82,192	(1,699,988)

These are unrealised exchange differences arising on the USD denominated deposit holdings and current accounts. For hedging purposes, amounts are held in USD to match the currency of the investments the Company expects to make in 2022. Foreign exchange rate risk is detailed in note 16.

6. Employees

Employees consist of Directors only, none of whom are remunerated through the Company.

7. Directors' remuneration

The Directors did not receive any emoluments during the year (2020: £nil).

The Directors of the Company listed on page 1 are considered to be the key management personnel.

8. Interest receivable

	2021 £	2020 £
Interest receivable	31,092	2,927
Interest provision	-	(2,927)
	31,092	**-**

Interest recognised in year ended 31 December 2021 relates to interest accrued under the Convertible Loan Agreement signed with Africa GreenCo Group, Zambia.

The Company's investments are disclosed in note 13 to the accounts.

9. Fair value gains/(losses) through profit or loss

	2021 £	2020 £
Investments	4,459,391	(55,857)
Grants	(32,342)	55,857
Foreign exchange gain/(loss)	36,137	(357,918)
Total	**4,463,186**	**(357,918)**

The fair value of investments held by the Company is disclosed in note 13.

The fair value loss recognised on the Africa GreenCo investment is offset by gain on the fair value of the returnable Technical Assistance (TA) grant liability payable to the PIDG Trust. These two instruments are inherently connected and are therefore fair valued in line with one another.

10. Taxation

	2021 £	2020 £
Profit/(Loss) on ordinary activities before tax	3,972,975	(2,991,525)
Tax on the loss at the standard UK rate of tax of 19.00% (2020: 19.00%)	754,865	(568,390)
Effects of:		
Expenses not deductible for tax purposes	5,161	-
Income not taxable for tax purposes	(840,583)	
Adjustments to tax charge in respect of previous periods – deferred tax	115,059	
Movement in deferred tax not recognised	(34,502)	568,390
Total tax charge for the period	-	-

On the basis of the results of the Company for the year ended 31 December 2021, there is no charge for corporation tax. In the Budget of 3 March 2021, the Chancellor of the Exchequer announced the planned increase in corporation tax to 25% from 1 April 2023.

The Company has estimated tax losses of £3,110,722 (2020: £2,686,708) available to carry forward against future profits. A deferred tax asset has not been provided as there is no certainty to its recoverability.

11. Trade and other receivables

	2021 £	2020 £
Other receivables	1	1
VAT receivable	58,721	34,465
Prepayments and accrued income	151,153	8,749
	209,875	**43,215**

As at 31 December 2021 there were £nil (2020: £nil) of trade and other receivables past 3 months due.

12. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	29,707,644	15,059,898
	29,707,644	**15,059,898**

13. Investments at FVTPL

	2021 £	2020 £
Fair value at 1 January	**20,055,330**	**-**
Movement in the year	12,023,122	20,055,330
Fair value at 31 December	**32,078,452**	**20,055,330**
Movement in the year:		
Additions	7,496,502	20,469,105
Interest accrued	31,092	2,927
Interest expensed	-	(2,927)
Foreign exchange movement	36,137	(357,918)
Total movement pre fair value adjustment	7,563,731	20,111,187
Fair value adjustment	4,459,391	(55,857)
Movement in the year	**12,023,122**	**20,055,330**

As at 31 December 2021, the Company recognised investments in four assets on its Statement of Financial Position.

Debt investment

During the year ended 31 December 2020, the Company signed a Convertible Loan Agreement (CLA) with Africa GreenCo Group, Zambia. The CLA attracts interest at 10%. This project aims to act as an intermediary off taker in Zambia to liberalise and stabilise the electricity supply market by purchasing power from Independent Power Producers and selling it onto Zambia Electricity Supply Corporation Limited (ZESCO) and other neighbouring countries. The conversion terms have been considered in arriving at the fair value of this investment at 31 December 2021.

Equity investment - associated undertakings

The following are associated undertakings of the Company:

Name and principal place of business	Subsidiary/Associate	Class of Shares	Holding
Infrastructure Credit Guarantee Company Limited - Nigeria	Associate	Ordinary and Preference Shares	31.79%
The Acorn Student Accommodation D-REIT - Kenya	Associate	REIT units	7.48%
The Acorn Student Accommodation I-REIT - Kenya	Associate	REIT units	22.95%

Infrastructure Credit Guarantee Company Limited (InfraCredit Nigeria) is a 31.79% owned associate of InfraCo Africa Investment Limited. The principal purpose of the Company is to support infrastructure development in Nigeria such as energy, transportation, telecommunication, housing, water distribution and waste management via credit enhancements/guarantees for naira denominated long-term bonds issued to finance infrastructure projects.

13. Investments at FVTPL (continued)

Acorn Holdings Limited is a property developer and manager of affordable rental housing in Kenya. The company has created two Real Estate Investment Trusts ("REITs"), a Development REIT ("D-REIT") to support housing under construction and an Income REIT ("I-REIT") for operational and income-generating properties. In February 2021, InfraCo Africa Investment Limited invested US$9.99m in Acorn's REITs, subscribing to 38,325,000 and 16,425,000 units in the I-REIT and D-REIT respectively. As at 31 December 2021, the Company's combined holding is 14.17%, split 22.95% in the I-REIT and 7.48% in the D-REIT.

As at 31 December 2021, there are no further subsidiary or associate undertakings of InfraCo Africa Investment Limited. The technique applied in arriving at fair value is detailed in Financial Instruments (note 16).

14. Trade and other payables

	2021 £	2020 £
Trade payables	35,127	31,638
Amounts due to related entity – InfraCo Africa Limited	223,279	152,244
Accrued expenses	19,475	59,136
	277,881	**243,018**

The carrying value of trade and other payables classified as financial liabilities approximates fair value.

15. Grants payable

	2021 £	2020 £
Fair value at 1 January	**165,102**	**-**
Movement in the year:		
Additions	143,565	230,486
Foreign exchange movement	3,783	(9,527)
Total movement in the year	147,348	220,959
Fair value adjustment	32,342	(55,857)
Fair value at 31 December	**344,792**	**165,102**

During the year ended 31 December 2021, the Company received a further Technical Assistance (TA) grant of £143,565 ($200,000) from the PIDG Trust (its parent company) to be disbursed under the CLA to Africa GreenCo Group, Zambia. For this reason, the two instruments are correlated and this financial liability is recognised at Fair Value Through Profit or Loss in line with the associated investment balance.

IFRS 9 has an option to designate a financial liability as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The Company have elected to take up this option in accounting for the grant payable for year ended 31 December 2021.

16. Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk;
- Market risk;
- Interest rate risk;
- Foreign exchange risk; and
- Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

During the year ended 31 December 2021, the Company experienced growth in investment activity which triggered potential exposure to additional risks. Where in previous years, the Company has anticipated these risks might be apparent in the future, for the year ended 31 December 2021, the Company deems it applicable to assess these risks in full.

(i) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- Trade and other receivables, including loan receivables;
- Cash and cash equivalents;
- Investments in unquoted equity securities and loans; and
- Trade and other payables.

	Financial assets at fair value through profit or loss		Other	
	2021	2020	2021	2020
	£	£	£	£
Financial assets				
Cash and cash equivalents	-	-	29,707,644	15,059,898
Trade and other receivables	-	-	138,482	43,215
Investments in unquoted equity securities and loans	32,078,452	20,055,330	-	-
Total financial assets	**32,078,452**	**20,055,330**	**29,846,126**	**15,103,113**

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	
	2021	2020	2021	2020
	£	£	£	£
Financial liabilities				
Trade and other payables	-	-	277,881	243,018
Grant payable	344,792	165,102	-	-
Total financial liabilities	**344,792**	**165,102**	**277,881**	**243,018**

16. Financial instruments - Risk Management (continued)

(ii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables approximates their fair value.

(iii) Financial instruments measured at fair value

As detailed in note 2 to the accounts, all the Company's investments fall within Level 3, as they are not traded and contain unobservable inputs.

The Company considers that, typically for projects in Development, a risk-adjusted multiple of external costs disbursed is representative of fair value measurement. This valuation model employs significant unobservable inputs, specifically in determining appropriate risk factors and assessing when costs are expected to be recovered. This requires a high degree of management judgement and estimation. Where possible, other valuation methodologies will be assessed for purpose of arriving at a reliable range of fair values. These include a market approach, such as Price of Recent Investment (PORI), or an Income Approach.

For assets in Operation, valuation techniques include discounted cash flow models, comparison with similar instruments for which observable market prices exist and net asset valuation models as well as cost of investment if transaction occurred close to reporting date. Assumptions and inputs used in these valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA) multiples and revenue multiples and expected price volatilities and correlations.

The fair value hierarchy of financial instruments measured at fair value is provided below.

	Level 1 £	Level 2 £	Level 3 £
31 December 2021			
Financial assets			
Investments in Development	-	-	378,812
Investments in Construction			2,216,326
Investments in Operation	-	-	29,483,314
	-	**-**	**32,078,452**
31 December 2020			
Financial assets			
Investments in Development	-	-	165,102
Investments in Construction			-
Investments in Operation	-	-	19,890,228
	-	**-**	**20,055,330**

Projects in Development

As noted, these projects are all fair valued through determining a risk reflective multiple of costs incurred to reporting date and accounting for the time value of money.

The maturity date is stipulated in the Convertible Loan Agreement and the risk factor is determined on an investment specific basis looking at all actual and anticipated risk elements that are deemed to either trigger delays or indicate potential risk to recovery of external costs disbursed to date.

16. Financial instruments - Risk Management (continued)

As a result of management making estimates and assumptions concerning the future, the resulting accounting estimates will, by definition, seldom equal the related actual results. The discount factor and maturity date present estimates and assumptions that have a risk of causing an adjustment to the carrying amounts of assets. For this reason, sensitivity analysis has been performed to quantify how a change in these factors would impact the value of the investments.

The following table presents the fair value of projects under Development as at 31 December 2021:

	Valuation technique	Fair value 2021 £	Fair value 2020 £
Africa GreenCo Group, Zambia	Multiple of Costs	378,812	165,102
		378,812	**165,102**

For projects fair valued under the Multiple of Costs technique, a risk factor and recovery date are applied in risk assessing the particular investment. The process in determining these inputs is inherently subjective and it yields ranges of possible outputs and estimates of fair value. Management judgement is therefore required to select the most appropriate point in the range.

The tables below set out sensitivity analysis for both elements to capture the expected movement in fair value based on movements in anticipated maturity or risk factor applied.

Risk factor applied

	Actual risk factor applied %	Variance - 5% £	Variance + 5% £
Africa GreenCo Group, Zambia	19.89%	6,069	(5,973)

Maturity date applied

	Actual recovery date	Variance - 6 months	Variance + 6 months
Africa GreenCo Group, Zambia	26/04/2022	24,724	(35,869)

Projects in Construction

For the year ending 31 December 2021, the Company has one investment recognised on its Statement of Financial Position which is in Construction.

	Valuation technique	Fair value 2021 £	Fair value 2020 £
The Acorn Student Accommodation D-REIT	PORI	2,216,326	-
		2,216,326	**-**

16. Financial instruments - Risk Management (continued)

In February 2021, InfraCo Africa Investment Limited invested US$9.99m in Acorn's REITs, subscribing to 38,325,000 and 16,425,000 units in the I-REIT and D-REIT respectively. As at 31 December 2021, the Company's holding is 7.48% in the D-REIT and 22.95% in the I-REIT. The D-REIT oversees the construction of properties which are then transferred to the I-REIT when operational.

For the year ended 31 December 2021, management applied a number of valuation techniques in line with the Company's valuation policy in assessing the fair value of this investment. This generated a range of fair values all of which are materially in line with the initial transaction value, where any movement is driven by foreign exchange fluctuations. It is therefore deemed that fair value is equal to book value as at reporting date which was calculated under a Net Asset Valuation model. Management have therefore concluded on using the PORI technique.

Projects in Operation

For the year ending 31 December 2021, the Company has two investments recognised on its Statement of Financial Position which are in Operation.

	Valuation technique	Fair value 2021 £	Fair value 2020 £
Infrastructure Credit Guarantee Company Limited	Discounted Cash Flow	24,311,843	19,890,228
The Acorn Student Accommodation I-REIT	PORI	5,171,471	-
		29,483,314	**19,890,228**

On 25th November 2020, a Share Subscription Agreement was signed between the Company and Infrastructure Credit Guarantee Company Limited (InfraCredit Nigeria). On 8th December 2020 (the Transaction Date), the Company disbursed $27,005,360 in exchange for a 33.7% shareholding in InfraCredit Nigeria. During 2021, as a result of new investment by a third party, the Company's shareholding was diluted to 31.79%.

In line with IFRS 9, and in its capacity as an 'Investment Entity' under IFRS 10, the Company recognise investments at Fair Value Through Profit and Loss. Implementing the Company's valuation policy, a number of techniques were considered at arriving at the fair value of these investments. This included income approaches such as Discounted Cash Flow assessment, market approaches such as Price of Recent Investment and Net Asset approach. A comparison was then drawn between the resulting fair values generated from these methodologies and book value. Where there have been no material changes, it is Company policy to hold fair value at value first invested.

Where the DCF method has been relied on in reaching fair value, significant level of judgment is required in calculating a risk adjusted Weighted Average Cost of Capital (WACC). The table below therefore sets out sensitivity analysis for fluctuations to these inputs for investments fair valued using this method.

	Actual WACC %	Variance - 5% £	Variance + 5% £	Actual growth rate %	Variance - 1.5% £	Variance +1.5% £
Infrastructure Credit Guarantee Company Limited	19.06%	5,272,198	(2,430,824)	2.70%	(338,372)	814,829

16. Financial instruments - Risk Management (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. With regards to Credit Risk arising from the sale of investments, management conducts an internal “know your customer” check on all potential purchasers prior to entering into sales agreements. Holding cash and cash equivalents and deposits with banks and financial institutions also exposes the Company to considerable Credit Risk. For banks and financial institutions, the risk is mitigated as the Company transacts with institutions with high credit ratings. If possible, cash is deposited with financial institutions that have a long-term credit rating ascribed by major rating agencies of “A” or above. Major rating agencies include Fitch, Moody's and S&P. As of 31 December 2021, all deposits were held with such financial institutions.

Cash in bank and short-term deposits

A significant amount of cash is held with the following institutions:

		2021		2020
	Rating	Cash at bank	Rating	Cash at bank
		£		£
Barclays Bank plc	A	29,707,644	A	15,059,898
		29,707,644		**15,059,898**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December 2021 was:

	2021 £	2020 £
Loan Investments	378,812	165,102
Trade and other receivables (excluding loans)	209,875	43,215
Cash and cash equivalents	29,707,644	15,059,898
Total	**30,296,331**	**15,268,215**

Management monitors the credit ratings of counterparties regularly and at the reporting date does not expect any losses from non-performance by the counterparties.

Market risk

Market risk arises from the Company’s use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Company is not susceptible to interest rate risk as it does not have any borrowings. However, the Company has issued loans to projects and these loans attract a rate of interest that is reflective of the market rate in which the project is operating. All interest rates applied to issued debt instruments have fixed interest rates which minimises interest rate risk driven by changing market conditions and the impact of LIBOR migration.

16. Financial instruments - Risk Management (continued)

Foreign exchange risk

Foreign exchange risk arises when the Company enter into transactions denominated in a currency other than their functional currency. Where possible, the Company will settle the liabilities in the foreign currency.

The Company also holds foreign denominated currency, United States Dollar ($), in its bank accounts. As at 31 December 2021, the Company held $14,839,029 (2020: $18,863,273).

The effect of a 20% strengthening of the $ against £ at the reporting date on the $ denominated cash balance at that date would, all other variables held constant, have resulted in an increase in post-tax loss for the year and decrease of net assets of £1,827,134 (2020: £2,315,558). A 20% weakening in the exchange rate would, on the same basis, have decreased post-tax loss and increased net assets by £2,740,700 (2020: £3,473,336).

With regards to investing activity, all commitments are denoted in, and disbursed in, United States Dollar ($) with the underlying assets operating in local currencies. This exposes the Company to additional foreign exchange risk as both fair value and investment returns might be impacted by fluctuations in the $ against local currency and the £. Assets are revalued on a monthly basis, however until sale, Management deem the foreign exchange risk exposure to be minimal and monitored throughout the investment lifecycle.

Liquidity risk

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£	£	£	£	£
At 31 December 2021					
Trade and other payables	277,881	-			
Grant payable	-	344,792			
Total	**277,881**	**344,792**			

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	£	£	£	£	£
At 31 December 2020					
Trade and other payables	243,018	-	-	-	-
Grant payable	-	-	165,102	-	-
Total	**243,018**	**-**	**165,102**	**-**	**-**

16. Financial instruments - Risk Management (continued)

Capital Disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and safeguard the interest of shareholders.

The Company manages the capital structure and would make adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust its returns to shareholders or new share issues. The Company monitors its capital and assets requirements for activities on a monthly basis and manages its financing and capital accordingly.

The capital relates to equity which is wholly contained on the face of the Statement of Financial Position.

17. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
42,202,130 ordinary shares of £1 each:	**42,202,130**	**38,052,130**
Shares to be issued		
18,500,000 to be issued of £1 each:	**18,500,000**	**-**

During the year 4,150,000 Ordinary £1 shares were issued at par to the Company (2020: 37,940,000). £18,500,000 (2020: £nil) additional Owner funding was received from the UK Government's Foreign, Commonwealth and Development Office (FCDO) however the process of issuing the shares has been delayed due to the replacement of a trustee of the PIDG Trust as disclosed in note 21 (2020: £nil). The shares were issued on 23 February 2022.

18. Other financial commitments

On 26 October 2020, the Company entered into a Convertible Loan Agreement with Africa GreenCo Group committing $500,000 of funding to the Africa GreenCo project in Zambia. As at 31 December 2021, amount disbursed against this commitment was $500,000 (2020: $300,000). This commitment is being funded by a returnable TA grant repayable to the PIDG Trust, its parent company.

On 26 April 2021 the Company signed a Joint Development Agreement with Cardano Development B.V. committing US$1 million to develop a business for the purposes of issuing local currency credit guarantees to enhance local currency instruments issued to finance eligible infrastructure projects in the Republic of Kenya. As at 31 December 2021, the amount disbursed against this commitment was $nil.

19. Related party transactions

The Board considers the following to be related party transactions

- transactions and balances between the Company and the PIDG Trust;
- transactions and balances between the Company and affiliated equity investee companies; and
- transactions and balances with entities controlled by the Company's key management personnel.

19. Related party transactions (continued)

During the year, the Company paid expenses of £655,433 (2020: £714,767) to related parties. This is in relation to recharged project development costs, other operating expenditure and management fee charge.

	2021 £	2020 £
InfraCo Africa Limited	(655,433)	(714,767)

During the year, the Company received income of £143,565 (2020: £230,486) from related parties. This is in relation to grant funding received from, and repayable to, Technical Assistance (TA) through the PIDG Trust.

	2021 £	2020 £
PIDG Trust	143,565	230,486

The following balances were owed to related parties as at 31 December 2021 and were included in the Company's statement of financial position:

	2021 £	2020 £
InfraCo Africa Limited	(223,279)	(152,244)

During the year, the Company also recognised income of £256,060 (2020: £nil) from equity investments. This is made up of dividends receivable of £209,454 (2020: £nil) from The Student Accommodation I-REIT and £46,606 (2020: £nil) in Directors' fees from Infrastructure Credit Guarantee Company Limited.

20. Post balance sheet events

On 23 February 2022, 18,500,000 Ordinary £1 shares were issued at par to the Company.

The Company's operating geographies continue to face considerable challenges. Even as governments, businesses and individuals contend with the aftermath of the pandemic and evolve to a post-covid environment, risks from outbreaks driven by new variants persist. Sooner than expected monetary policy tightening in key developed economies presents credit and market risks to InfraCo Africa Investment Limited and its projects. Equally, rising conflict and political instability in the Sahel, for instance the coup in Burkina Faso on 23rd January 2022, remains an area of concern and presents financial and security risks to Company operations. Finally, the ongoing invasion of Ukraine by Russia, which started on 24th February 2022, is causing a rise in commodity and food prices and could adversely impact macroeconomic fundamentals for select countries, impact individual livelihoods as inflation rises, and potentially affect commercial viability of projects as input costs increase.

All of these factors may impact the Company's ability to manage the delivery of performance targets agreed with its members. The Directors will continue to work with senior management to closely monitor these emerging risks and assess the impact on operations, projects and its performance targets in the short and long-term.

These have all been concluded as immaterial to the Company's financials for 2021 and therefore are considered to be non-adjusting events.

21. Ultimate parent undertaking and controlling party

The Company's immediate and existing joint shareholders are SG Kleinwort Hambros Trust Company (UK) Limited, IQ EQ Trustees (Mauritius) Ltd* and Minimax Ltd as trustees of the Private Infrastructure Development Group Trust (PIDG Trust), a trust established under the laws of Mauritius. The PIDG Trust does not prepare consolidated accounts. The PIDG Trust has delegated the authority to manage the Company to PIDG Limited, which is also a 100% owned subsidiary of the PIDG Trust.

*Effective 30 November 2021, IQ EQ Trustees (Mauritius) Ltd replaced Multiconsult Trustees Ltd, as a trustee of the PIDG Trust following an amalgamation pursuant to section 247 (2) of the Mauritius Companies Act 2001.