GL Africa Energy Limited

Annual report and financial statements

Registered number 08721406

Year ended 31 December 2018

Contents

GL AFRICA ENERGY LIMITED
COMPANY INFORMATION

DIRECTORS (during the year):	H Kariuki N Kariuki M K Mbaka R M Wardle M J Kearns
REGISTRATION NUMBER:	08721406
REGISTERED OFFICE:	10 Norwich Street, London EC4A 1BD
AUDITOR:	Lubbock Fine Chartered Accountants 65 St Paul's Churchyard London EC4M 8AB

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018.

The Director's present their Annual Report, consisting of the Strategic Report and the Director's Reports and the Consolidated Financial Statement of GL Africa Energy Limited ("the Company") for the year ended 31 December 2018. Reference to the "group" refer to the consolidated group, being the Company and its Subsidiary undertakings.

REVIEW OF BUSINESS AND PRINCIPAL ACTIVITIES

The group's principal activity 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 $ 30,915,178 during the year (2017: $32,973,013). In particular, the directors are satisfied with the gross profit ratio of 54.98% (2017: 53.36%), 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 $102,408,085 (2017: $62,461,579). In particular, the directors continue to invest in Africa. To this end the group built a small solar power project in Kenya, which was commissioned in 2018. While the group is focusing on increasing profitability of its current operations, it is also seeking opportunities in energy solutions in the Great Lakes and Southern African region.

Financial data and Key Performance Indicators ("KPI's")

The table below summarises the group's financial results and KPI's

KPI	**2018**	**2017**
Turnover	$92,252,416	$99,885,390
Operating Profit	$38,509,300	$40,282,259
Net profit before tax percentage	33.51%	33.01%
Interest charges as a proportion of gross profit	14.97%	13.71%

The Turnover for the year reduced due to lower recovery on account of HFO. Operating profits reduced in line with turnover. However, net profit margin improved marginally for the year and stood at 33.51%. Interest charges as a proportion of gross profit stood at 14.97%.

FINANCIAL RISK MANAGEMENT

The groups 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
FOR THE YEAR ENDED 31 DECEMBER 2018 (Contd.)

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 external customer and has both a concentration risk and credit risk. ZESCO Limited is a Company owned by the Republic of Zambia and given the power shortfall that exists in that country, the Board believe that the risk of default is low.

Liquidity risk
The Directors assess and review the group's liquidity position and funding requirement on a regular basis and this is an agenda item for all the 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.

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 the group 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 receivables and payables that arise directly from its operations.

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

Michael Kearns
M J Kearns
Director
18 December 2019

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 2018.

The company has five subsidiaries: G.L.E. Lakes Energy Company Limited (a company incorporated in Cyprus), Great Lakes Energy Company N.V. (incorporated in the Netherlands), Ndola Energy Company Limited (incorporated in Zambia), GL Africa Energy Limited (incorporated in Kenya) and GL Bioenergy Limited (incorporated in Mauritius). 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 (resigned w.e.f 8th August 2019)
N Kariuki (resigned w.e.f 8th August 2019)
M K Mbaka
R M Wardle
M J Kearns
S N Wafula (appointed w.e.f 7th November 2019)

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2017: $nil).

Dividends

The directors do not recommend a dividend to be paid (2017: $nil).

Disclosure of information to auditors

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 group and company's auditors are 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

Pursuant to section 487 of the Companies Act 2006, the auditor, Lubbock Fine, is deemed to be reappointed and will therefore continue in office.

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

Michael Kearns

M J Kearns
Director

18 December 2019

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 International Financial Reporting Standards as adopted by the European Union (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GL AFRICA ENERGY LIMITED

Opinion

We have audited the financial statements of GL Africa Energy Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2018 which include the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement 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 International Financial Reporting Standards as adopted by the European Union.

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 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- have been prepared in accordance with the requirements 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the directors have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our Auditors' Report thereon. Our opinion on the consolidated 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.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in 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 there is a material misstatement in the consolidated financial statements or a material misstatement of the other information. 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.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

The purpose of our audit work and to whom we owe our responsibilities

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.

....

Stephen Banks (Senior Statutory Auditor)
for and on behalf of Lubbock Fine
Chartered Accountants and Statutory Auditor
Paternoster House
65 St Paul's Churchyard
London
EC4M 8AB
Date:....19 December 2019

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For year ended 31 December 2018

	Note	**2018**	**2017**
			Restated*
		$	**$**
Revenue	*2,3*	92,252,416	99,885,390
Cost of sales	*4*	(41,531,264)	(46,590,053)
Gross profit		**50,721,151**	**53,295,337**
Other Operating Revenue		103,448	-
Administrative expenses	*4*	(12,315,300)	(13,013,078)
Operating profit		**38,509,300**	**40,282,259**
Financial expenses	*7*	(7,594,122)	(7,309,246)
Profit before tax		**30,915,178**	**32,973,013**
Taxation	*8*	10,171,311	(9,925,631)
Profit for the year		41,086,489	**23,047,381**
Other comprehensive income		-	-
Total comprehensive income for the year		**41,086,489**	**23,047,381**

* Refer to note 23 for more details on the restatement

The notes on pages 17 to 38 form part of these financial statements.

Consolidated Balance Sheet
at 31 December 2018

	Note	2018	2017 Restated*
		$	$
Non-current assets			
Property, plant and equipment	9	98,342,573	103,444,301
Trade and other receivables	11	10,778,040	108,067
		109,120,613	103,552,368
Current assets			
Trade and other receivables	11	207,039,437	124,572,994
Cash and cash equivalents		1,277,023	934,737
Inventory		189,080	57,866
		208,505,540	125,565,597
Total assets		317,626,153	229,117,965
Current liabilities			
Other interest-bearing loans and borrowings	12	35,425,468	6,193,159
Trade and other payables	13	81,296,253	45,632,164
Tax payable		-	-
		116,721,721	51,825,323
Non-current liabilities			
Other interest-bearing loans and borrowings	12	94,616,308	100,779,713
Provisions	14	215,380	215,380
Deferred Tax Liability (net)	8	3,664,659	13,835,970
		98,496,347	114,831,063
Total liabilities		215,218,068	166,656,386
Net assets		102,408,085	62,461,579
Equity attributable to equity holders of the parent			
Share capital	15	10,000	10,000
Share premium	15	11,228,110	11,228,110
Retained earnings		91,169,975	51,223,469
Total equity		102,408,085	62,461,579

* Refer to note 23 for more details on the restatement

The notes on pages 17 to 38 form part of these financial statements.

These financial statements were approved by the board of directors on 18 December 2019 and were signed on its behalf by:

Michael Kearns

M J Kearns
Director
18 December 2019……

Company registered number: 08721406

Company Balance Sheet
at 31 December 2018

	Note	2018 $	2017 $
Non-current assets			
Fixed assets		55,574	64,835
Investments	*10*	2,710	2,710
Trade and Other Receivables	*11*	1,326,129	1,215,245
		1,384,413	1,282,790
Current assets			
Cash and cash equivalents		367,840	7,947
Trade and other receivables	*11*	11,224,198	11,119,434
		11,592,038	11,127,381
Total assets		12,976,451	12,410,171
Current liabilities			
Trade and other payables	*13*	419,232	938,390
Non-Current liabilities			
Trade and other payables	*13*	9,053,915	3,293,480
Total liabilities		9,473,147	4,231,870
Net assets		3,503,304	8,178,301
Capital and reserves			
Called up share capital	*15*	10,000	10,000
Share premium account	*15*	11,228,110	11,228,110
Retained earnings		(7,734,806)	(3,059,809)
Shareholders' funds		3,503,304	8,178,301

The notes on pages 17 to 38 form part of these financial statements.

These financial statements were approved by the board of directors on 18 December 2019 and were signed on its behalf by:

Michael Kearns

M J Kearns
Director
18 December 2019

Company registered number: 08721406

Consolidated Statement of Changes in Equity

	Share capital $	Share premium $	Retained Earnings $	Total Equity $
Balance at 1 January 2017 (as previously stated)	10,000	11,228,110	32,086,426	43,324,536
Restatement (see note 23)	-	-	(3,910,338)	(3,910,338)
Balance at 1 January 2017 (as previously stated)	10,000	11,228,110	28,176,088	39,414,198
Profit for the year	-	-	23,047,381	23,047,381
Balance at 31 December 2017	**10,000**	**11,228,110**	**51,223,469**	**62,461,579**

	Share Capital $	Share premium $	Retained Earnings $	Total Equity $
Balance at 1 January 2018	10,000	11,228,110	51,223,469	62,461,579
Adjustment on initial application of IFRS 9 (note 1.14)	-	-	(1,139,983)	(1,139,983)
Balance at 1 January 2018 restated	10,000	11,228,110	50,083,486	61,321,596
Profit for the year	-	-	41,086,489	41,086,489
Balance at 31 December 2018	**10,000**	**11,228,110**	**91,169,975**	**102,408,085**

The notes on pages 17 to 38 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 2017	10,000	11,228,110	(941,580)	10,296,530
Loss for the year	-	-	(2,118,229)	(2,118,229)
Balance at 31 December 2017	**10,000**	**11,228,110**	**(3,059,809)**	**8,178,301**

	Called up Share capital $	Share Premium account $	Retained Earnings $	Total equity $
Balance at 1 January 2018	10,000	11,228,110	(3,059,809)	8,178,301
Loss for the year	-	-	(4,674,997)	(4,674,997)
Balance at 31 December 2018	**10,000**	**11,228,110**	**(7,734,806)**	**3,503,304**

The notes on pages 17 to 38 form part of these financial statements.

Consolidated Cash Flow Statement

for year ended 31 December 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Profit for the year		**30,915,178**	**32,973,013**
Adjustments for:			
Depreciation, amortisation and impairment	4	**5,161,232**	**4,798,957**
Financial expense	7	**7,594,122**	**7,309,246**
Increase in trade and other receivables		**(69,706,399)**	**(96,704,733)**
Increase in inventories		**(131,214)**	**(57,866)**
Increase /(decrease) in trade and other payables	13	**35,664,089**	**42,162,116**
Net cash generated from/(used in) operating activities		**9,497,008**	**(9,519,267)**
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(59,504)**	**(10,251,440)**
Loans to associate investment		**(24,570,000)**	**-**
Net cash used in investing activities		**(24,629,504)**	**(10,251,440)**
Cash flows from financing activities			
Interest paid		**(5,084,875)**	**(3,377,424)**
Borrowings drawdown		**20,559,657**	**19,244,700**
Net cash generated from financing activities		**15,474,782**	**15,867,276**
Net increase/(decrease) in cash and cash equivalents		**342,287**	**(3,903,431)**
Cash and cash equivalents at 1 January 2018		**934,737**	**4,838,168**
Cash and cash equivalents at 31 December 2018		**1,277,023**	**934,737**

The notes on pages 17 to 38 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 company 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 company 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.

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.

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
- software 8 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.

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 probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

1.12 Expenses

Cost of Sales

Cost of sales is booked at actuals based on the contractual agreements. Fuel cost is determined based on the Fuel Supply Agreement with the Ministry of Energy.

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.

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 contemporary 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 Changes in significant accounting policies

The Company initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards were also effective from 1 January 2018, but they do not have a material effect on the Company's financial statements. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

a. IFRS 15 Revenue from contracts with customers

IFRS 15 (Revenue from Contracts with Customers) and the related (Classifications to IFRS 15 Revenue from Contracts with Customers) (hereinafter referred to as 'IFRS 15') replace IAS 18 (Revenue), IAS 11(Construction Contracts), and several revenue-related Interpretations. The new Standard has been applied using the cumulative effect method (without practical expedient). Accordingly, the information presented for 2017 has not been restated.

In accordance with the transition guidance, IFRS 15 has only been applied to contracts that were incomplete as at 1 January 2018. The adoption of IFRS 15 has not affected the way in which revenue from the supply of electricity, capacity, fuel handling and fuel are recognised

b. IFRS 9 Financial instruments

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

	$
Loss allowance at 31 December 2017 under IAS 39	-
Additional impairment recognised at 1 January 2018 on:	
- Trade and other receivables as at 31 December 2017	**1,139,893**
Loss allowance at 1 January 2018 under IFRS 9	**1,139,893**

Additional information about how the Company measures the allowance for impairment is described in Note 18 to the financial statements. There has been no other impact on the Group's financial statements from reclassifying financial assets and liabilities under IAS 39 to IFRS 9.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except for the following case. The Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

1.15 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 16 Leases (effective date 1 January 2019)

- 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.

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date 1 January 2018)

- 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 2018, this pronouncement has yet to be endorsed by the EU. 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.

Amendments to IAS 7: Disclosure Initiative (effective date 1 January 2018)

- 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 2018, this pronouncement has yet to be endorsed by the EU. 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.

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.

2 Segment Information

All of the group's revenue arose from the supply of electricity within Zambia, being a continuing operation. There is one business segment, in one geographical location.

3 Revenue

	2018	2017
	$	$
Supply of electricity	**92,252,416**	**99,885,390**
Total Revenue	92,252,416	99,885,390

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

4 Cost of Sales and Administrative Expenses

	2018	2017
	$	$
Operations and maintenance	5,742,318	5,946,185
Fuel and other direct costs	35,788,947	40,643,868
Management and consultancy fees	4,071,774	2,459,095
Personnel Expenses	712,089	925,714
Depreciation and amortisation	5,161,233	4,798,957
Other Expenses	2,370,205	4,829,312
	53,846,564	**59,603,131**

5 Auditors' remuneration

	2018	2017
	$	$
Audit of these financial statements	**52,625**	**56,835**
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**21,796**	**21,825**
Taxation compliance services& other non-audit Services	**15,000**	**15,000**

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	
	2018	2017
Administration	**17**	16
Management	**3**	4
	20	20

The aggregate payroll costs of these persons were as follows:

	$	$
Wages and salaries	**712,089**	**925,714**
	712,089	**925,714**

During the year 2018, the Group paid $218,338 (2017: $242,408) to the directors of various entities in the Group. The remuneration of the highest paid director was $80,772 (2017: $99,095).

7 Finance income and expense

Recognised in profit or loss

	2018	2017
Finance expense	**$**	$
Total interest expense on financial liabilities measured at amortised cost	**339,267**	**524,420**
Interest on Loans from related parties	**8,037,591**	**6,731,163**
Net foreign exchange loss	**-**	**79,898**
Total finance expense (A)	**8,376,858**	**7,335,481**

	2018	2017
Finance Income	**$**	$
Finance Income	**(782,736)**	**(26,235)**
Total Finance Income (B)	**(782,736)**	**(26,235)**
Net Finance Expense (A-B)	**7,594,122**	**7,309,246**

8 Taxation

(a) Recognised in the income statement

	2018	2017 Restated*
	$	$
Current tax expense		
Current year	-	-
Current tax expense	-	-
Deferred tax expense	-	-
Origination and reversal of temporary differences	**(10,171,311)**	9,925,631
Deferred tax expense		
Total tax expense	**(10,171,311)**	9,925,631

* Refer to note 23 for more details on the restatement.

Reconciliation of effective tax rate

	2018	2017
	$	$
Profit for the year before tax	**30,915,178**	**32,973,013**
Tax using the UK corporation tax rate of 19% (2017:19.25%)	**5,873,884**	**6,347,305**
Non-taxable income	**(7,259,161)**	**(7,196,405)**
Non-deductible expenses	**48,364**	**27,262**
Current year losses for which no deferred tax asset was recognised	**1,336,913**	**821,838**
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 19.25% (effective from 1 April 2018) 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 $1,355,014 (2017: $821,838) 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% corporate tax exemption until 2019, a 50% corporation tax exemption from 2020 until 2022 and a 25% corporation tax exemption from 2023 until 2024, in respect of its activities in Zambia.

(b) Deferred Tax

	2018	2017
	$	$
Property, plant and equipment	**5,125,363**	13,887,343
Rehabilitation provision	**(43,075)**	(37,976)
Unrealised exchange gains	**31,291**	-
Unrealised exchange losses	-	(13,397)
Provision for debtors	**(366,000)**	-
Major overhaul provision	**(1,082,919)**	-
	3,664,659	13,835,970

9 Property, plant and equipment

Group

	Plant and Equipment	**Land and Buildings**	**Office Equipment**	**Motor Vehicles**	**Software**	**Asset under Construction**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Balance at 1 January 2017	57,269,212	8,000,860	325,336	240,145	-	40,920,940	106,756,493
Additions	6,742	401,701	62,021	38,635	-	9,742,341	10,251,440
Transfer	36,685,030	13,267,202	-	-	-	(49,952,232)	-
Balance at 31 December 2017	**93,960,984**	**21,669,763**	**387,357**	**278,780**	-	**711,049**	**117,007,933**
Cost							
Balance at 1 January 2018	93,960,984	21,669,763	387,357	278,780	-	711,049	**117,007,933**
Additions	751,121	-	3,011	523	149,509	(711,049)	**193,115**
Disposals	-	(133,611)	-	-	-	-	**133,611**
Balance at 31 December 2018	**94,712,105**	**21,536,152**	**390,368**	**279,304**	**149,509**	-	**117,067,438**
Depreciation							
Balance at 1 January 2017	6,841,412	1,493,650	254,536	175,077	-	-	8,764,675
Depreciation charge for the year	3,505,211	1,191,056	57,614	45,076	-		4,798,957
Balance at 31 December 2017	**10,346,623**	**2,684,706**	**312,150**	**220,153**	-		**13,563,632**
Balance at 1 January 2018	10,346,623	2,684,706	312,150	220,153	-	-	13,563,632
Depreciation charge for the year	3,786,755	1,329,255	15,024	14,627	15,572	-	5,161,233
Balance at 31 December 2018	**14,133,377**	**4,013,961**	**327,175**	**234,780**	**15,572**	-	**18,724,865**
Net book value							
At 31 December 2017	83,614,361	18,985,057	75,207	58,627	-	711,049	103,444,301
At 31 December 2018	**80,578,727**	**17,522,191**	**63,194**	**44,524**	**133,937**	-	**98,342,573**

Security

The property, plant and equipment of Phase I aggregating to $57,000,000. is held as security against borrowings from PTA bank of $20,000,000, the loan tenor being 8 years from 2011. At 31 December 2018, $2,264,012 remained outstanding on this loan.

10 Investments

	Shares in group undertakings $
Cost	
At beginning and end of year	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 2018	Ownership 2017
G.L.E Lakes Energy Company Limited	Cyprus	FrangklinouRousvelt 140B 3011, Limmasol, Cyprus	Holding Company	Equity Shares	**100%**	100%
Great Lakes Energy Company N.V*	Netherlands	Valkenburgerweg 67, 6419AP, Herleen	Holding Company	Equity Shares	**100%**	100%
Ndola Energy Company Limited*	Zambia	Plot No. 5362, Leopards Hill Road, OffKabulonga Roundabout, Lusaka, Zambia	Generation & supply of electricity	Equity Shares	**100%**	100%
GL Africa Energy Limited*	Kenya	L.R. NO. 209/3336 ManderaRoad, Kileleshwa P.O. Box 1931 - 00100 Nairobi-Kenya	Generation & supply of electricity	Equity Shares	**100%**	100%
GL Bioenergy Limited*	Mauritius	Suite 308 St. James Court St. Denis Street, Port Louis, Mauritius	Generation & supply of electricity	Equity Shares	**100%**	100%

*Shares are indirectly held.

The group holds a 49% interest in MSS Xsabo Power Limited, a company based in Uganda. Due to the cumulative losses made by this entity to 31 December 2018 this investment has been held at cost. There has been no requirement to impair this asset.

11 Trade and other receivables

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Current trade and other receivables				
Trade receivables	118,009,893	68,835,795	400	400
Less: Provision as per IFRS 9	(1,830,000)	-	-	-
Trade receivables – HFO (*note below*)	75,400,288	42,078,656	-	-
Amount receivable from related parties	14,683,170	205,583	-	154,265
Prepayments and accrued income	265,327	267,423	-	-
Other receivables	510,759	13,185,537	162,490	111,647
Amount receivable from subsidiary undertakings	-	-	11,061,309	10,853,122
Total current trade and other receivables	207,039,437	124,572,994	11,224,198	11,119,434

Note: This is receivable from ZESCO for HFO used in the generation of electricity. As per the Fuel Supply Agreement between the Company and Ministry of Energy ('MoE'), the Company is liable to pay for HFO only on recovery of this amount from ZESCO.

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Non-current trade and other receivables				
Other receivables	108,067	108,067	108,067	108,067
Amount receivable from subsidiary undertakings	-	-	1,218,062	1,107,178
Amount receivable from related parties	10,669,973	-	-	-
Total non-current trade and other receivables	10,778,040	108,067	1,326,129	1,215,245

	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Total trade and other receivables	217,817,477	124,681,061	12,550,327	12,334,679

12 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 16.

	2018 $	2017 $
Non-current liabilities		
Unsecured loans from related parties	86,414,360	79,064,360
Interest payable to related parties	8,201,948	19,451,341
Secured loans from other entities	-	2,264,012
	94,616,308	100,779,713
Current liabilities		
Unsecured loans from related parties	17,150,000	1,650,000
Interest Payable to related parties	16,011,457	1,524,472
Secured loans from other entities	2,264,012	3,018,687
	35,425,468	6,193,159

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% per annum effective 4th April 2015. The loan is secured on the moveable and immovable assets of the company repayable quarterly and the tenor is 8 years from 2011.

Loan Type	Currency	Interest Rate	Year of Maturity	Face Value (2018)	Carrying Amount (2018)	Face Value (2017)	Carrying Amount (2017)
Secured	USD	LIBOR+6%	2019	2,264,012	2,264,012	5,282,699	5,282,699
Unsecured	USD	7.375%	2020	86,414,360	86,414,360	63,564,360	63,564,360
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

13 Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Current trade and other payables				
Trade payables	**73,257,822**	**41,620,859**	**294,161**	**289,760**
Other payables	**2,722,890**	**1,458,369**	-	-
Accruals	**5,315,541**	**2,552,936**	-	-
Payables to Subsidiary Undertakings	-	-	**125,071**	**648,630**
Total Current trade and other payables	**81,296,253**	**45,632,164**	**419,232**	**938,390**

As per the Fuel Supply Agreement between the Company and Ministry of Energy, the Company is liable to pay for HFO only when it has received payment for the same from ZESCO.

	Group		Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Non-current trade and other payables				
Payables to Subsidiary Undertakings	-	-	**9,053,915**	**3,293,480**
Total non-current trade and other payables	-	-	**9,053,915**	**3,293,480**

	Group		Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Total trade and other payables	**81,296,253**	**45,632,164**	**9,473,146**	**4,231,870**

14 Provisions

	Rehabilitation cost
	$
Balance at 1 January 2018 and 31 December 2018	**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 in July 2018 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.

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.

15 Capital and reserves

Share capital and share premium

	Group		Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
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

16 Financial instruments

16(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 and a credit risk. ZESCO Limited is a Company owned by 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;

	2018	2017
Cash and cash equivalents	**1,277,023**	934,737
Other receivables	**26,165,891**	10,659,723
Trade receivables (net)	**116,179,893**	68,835,795
Trade receivables – HFO	**75,400,288**	42,078,656
Total	**219,023,095**	122,508,911

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

	2018	2017
	$	$
Zambia	**191,777,108**	110,914,451
UK	**108,067**	108,067
Kenya	**523,842**	216,973
Mauritius	**1,375**	205,583
Uganda	**25,335,679**	10,129,100
Total	**217,746,071**	121,574,174

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

	2018	2017
	$	$
ZESCO Limited – electricity (net of impairment $1,830,000 (2017: nil) as per IFRS 9)	116,111,093	68,835,795
ZESCO Limited – HFO	75,400,288	42,078,656

Credit quality of financial assets and impairment losses

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

	Gross 2018	**Impairment 2018**	Gross 2017	Impairment 2017
	$	**$**	$	$
Not past due	**7,121,342**	-	9,572,777	-
Past due (0-30 days)	**8,989,981**	-	9,884,317	-
Past due (31-90 days)	**16,838,564**	-	17,944,827	-
More than 90 days	**160,460,294**	**(1,830,000)**	73,512,530	-
Total	**193,410,181**	**(1,830,000)**	110,914,451	-

16 Financial instruments *(continued)*

Amounts due from ZESCO are backed by the Government of the Republic of Zambia. Impairment or provision to the amount due has been made in compliance with IFRS 9 (Financial Instruments).

16 (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:

		2018				
	Carrying amount $	**Contractual cash flows $**	**1 year or less $**	**1 to 2 years $**	**2 to 5 years $**	**5 years and over $**
Non-derivative financial liabilities						
Secured bank loans	**2,264,012**	**2,361,588**	**2,361,588**	**-**	-	**-**
Trade and other payables	**81,296,253**	**81,296,253**	**81,296,253**	**-**	-	**-**
Unsecured Loans from Related Parties	**103,564,360**	**142,248,315**	**3,414,472**	**138,833,843**	**-**	**-**

		2017				
	Carrying amount $	**Contractual cash flows $**	**1 year or less $**	**1 to 2 years $**	**2 to 5 years $**	**5 years and over $**
Non-derivative financial liabilities						
Secured bank loans	**5,282,699**	**5,713,400**	**3,355,315**	**2,358,085**	**-**	**-**
Trade and other payables	**45,632,164**	**45,632,164**	**45,632,164**	**-**	**-**	**-**
Unsecured Loans from Related Parties	**101,690,173**	**119,887,538**	**3,174,472**	**32,071,984**	**84,641,082**	**-**

16 Financial instruments *(continued)*

16 (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 dollars so that liabilities can be settled in the denomination in which they occur. 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 2018

	Sterling (In USD)	**Euro (In USD)**	**ZMW (In USD)**	**KSH (In USD)**	**Total (In USD)**
Cash and cash equivalents	1,628	29,975	23,048	41,573	96,225
Trade receivables	-	236,752	28,417	71,438	335,509
Trade payables	-	(1,651,715)	(3,677,132)	(93,564)	(5,422,411)
Net exposure	1,628	(1,384,988)	(3,625,667)	19,447	(4,989,579)

31 December 2017

	Sterling (In USD)	Euro (In USD)	ZMW (In USD)	KSH (In USD)	Total (In USD)
Cash and cash equivalents	3,521	3,082	104,962	(1,916)	109,649
Trade receivables	-	-	2,832,802	76,067	2,908,869
Trade payables	-	(1,640,269)	(1,275,661)	(219,152)	(3,135,082)
Net exposure	3,521	(1,637,187)	1,662,103	(145,001)	(116,564)

USD	*2018 (Avg Rate)*	*2017 (Avg Rate)*	*2018 (year End Spot rate)*	*2017 (year End Spot rate)*
Euro	*1.18*	*1.13*	*1.15*	*1.18*
GBP	*1.3354*	*1.2971*	*1.2678*	*1.3670*
ZMW	*0.0955*	*0.1049*	*0.0839*	*0.0997*
KSH	*0.0099*	*0.0097*	*0.0098*	*0.0096*

Sensitivity analysis

A 10 percent strengthening of the USD against respective currencies at 31 December 2018 would have changed the profit for the period and 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 2017.

16 Financial instruments (continued)

Effect in USD

	2018	2017
	Profit/(loss)	Profit/(loss)
10% on Net exposure to currency risks (EURO)	138,499	163,719
10% on Net exposure to currency risks (ZMW)	362,567	(166,210)
10% on Net exposure to currency risks (GBP)	(163)	(352)
10% on Net exposure to currency risks (KSH)	(1,947)	14,500
Total	498,956	11,657

A 10 percent weakening of the USD against the above currencies at 31 December 2018 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:

	2018	2017
	$	$
Fixed rate instruments		
Financial liabilities	103,514,360	80,664,360
Variable rate instruments		
Financial liabilities	2,264,012	5,282,699

The variable interest rate is on the secured loan from PTA Bank and is based on 3 Month USD LIBOR (see note .

Sensitivity analysis

An increase of 100 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 2017.

	2018	2017
	$	$
Profit or loss		
Increase	(22,640)	(52,827)
Decrease	22,640	52,827

16 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.

	2018		2017	
Group	**Carrying Amount (USD)**	**Fair Value (USD)**	Carrying Amount (USD)	Fair Value (USD)
Financial assets				
Cash and cash equivalents	**1,277,023**	**1,277,023**	934,737	934,737
Trade and other receivables	**217,817,477**	**217,817,477**	124,681,061	124,681,061
Financial liabilities				
Trade and other payables	**81,296,253**	**81,296,253**	45,632,164	45,632,164
Loans and borrowings including interest accrued	**130,041,777**	**130,041,777**	106,972,872	106,972,872

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.

17 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:

	2018	2017
	$	$
Less than one year	164,975	164,975
Between one and five years	449,950	554,925
More than five years	495,000	555,000
Total	1,109,925	1,274,900

18 Contingencies

A contingent liability has been recognised as a result of a guarantee of $477,507 to third parties with ECO Bank, Zambia (2017: $477,507).

19 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 2018

	Loan Payable ($)	Interest Payable ($)	Interest Charged for the Year ($)
Dalbit International Limited	101,904,360	22,448,933	7,797,591
Dalbit Petroleum Limited	200,000	219,370	30,000
Sonia Finance Limited	50,000	-	-
Concordia Energy Group Limited	1,400,000	1,545,102	210,000
	103,564,360	24,213,405	8,037,591

Year ended 31 December 2017

	Loan payable ($)	Interest payable ($)	Interest charged for the year ($)
Dalbit International Limited	79,064,360	19,451,341	6,490,862
Dalbit Petroleum Limited	200,000	189,370	30,000
Sonia Finance Limited	50,000	-	-
Concordia Energy Group Limited	1,400,000	1,335,102	210,000
	80,714,360	20,975,813	6,730,862

The loan payable to Dalbit International Limited for $ 15,500,000 is due in September 2019 and attracts 15% interest and the loans payable in December 2020 for $86,414,360 attract interest at 7.375%. All other loans are repayable on demand and attract interest at 15%, except Sonia Finance Limited, which is interest free.

The following loans were owed by associates of the company:

Year ended 31 December 2018

	Loan Payable ($)	Interest Payable ($)	Interest Charged for the Year ($)
MSS Xsabo Power Limited	24,570,000	742,504	742,504

Key Management Personnel

During the year 2018, the Group paid $218,338 (2017:$242,408) to the directors of various entities in the Group. These directors represent the key management personnel of the Group.

19 Related parties *(continued)*

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:

	2018	2017
	Balance owed to the group / (by the group)	**Balance owed to the group / (by the group)**
	$	**$**
Belgravia Services Limited	-	-
Belgravia Construction Limited	-	**(1,622)**

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

20 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 at rates defined in the PPA. Revenue from the sale of energy to ZESCO Limited is based on the value of the units supplied between meter readings. 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

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 2018 amounted to $1,830,000 (2017 $NIL) and trade receivables and accrued income (net of the provision for impairment) amounted to $217,817,477 (2017: $124,681,061).

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 2018, the carrying value of property, plant and equipment amounted to $98,342,573 (2017: $103,444,301).

21 Ultimate parent company and parent company of larger group

The group's ultimate controlling party is H Kariuki.

22 Subsequent events

None.

23 Correction of prior period errors

The Group's operating subsidiary, Ndola Energy Company Limited ("NECL"), is entitled to tax incentives under the Zambia Development Agency (ZDA) Act Number 11 of 2006, hence it is taxed at zero percent in accordance with this Act for five years from the 2015 when the Company commenced operations.

However, in the prior years, management had not accounted for deferred tax as they believed that the Company was exempted due to the ZDA tax incentives. Consequently, retained earnings and deferred tax liability/asset balances were misstated as based on the information and circumstances in the prior years, such deferred taxes were to be recognised. As a result, a correction of these errors has been made to the relevant balances for the period beginning 1 January 2017.

There is no impact on the total operating, investing and financing cash flows for the year ended 31 December 2018.

Statement of financial position as at 1 January 2017	*Impact of correction of error*		
	As previously reported	*Adjustments*	*Restated balance*
Deferred tax (see note 8(b))	-	3,910,338	3,910,338
Retained earnings	32,086,426	(3,910,338)	28,176,088

Statement of financial position as at 31 December 2017	*Impact of correction of error*		
	As previously reported	*Adjustments*	*Restated balance*
Deferred tax (see note 8(b))	3,910,339	9,925,631	13,835,970
Retained earnings	61,149,100	(9,925,631)	51,223,469

Statement of profit or loss and other comprehensive income for year ended 31 December 2017	*Impact of correction of error*		
	As previously reported	*Adjustments*	*Restated balance*
Deferred tax expense (see note 8(b))	-	(9,925,631)	(9,925,631)
Deferred tax	3,910,339	9,925,631	13,835,970