



“AFRICA CLEAN ENERGY SOLUTIONS LIMITED (“ACES”), through its subsidiary companies, is a clean energy solutions provider, established and incorporated in Mauritius in 2017.”

# BUSINESS PLAN

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED**

**Registration Number: 152282 C1/GBL**



# **BUSINESS PLAN**

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED**

**(INCORPORATED IN MAURITIUS)**

**REGISTRATION NUMBER 152282 C1/GBL**

**("ACES" or "The Company" or the "Group")**

**24 MAY 2019**

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The Directors  
Africa Clean Energy Solutions Limited  
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Level 3, Alexander House  
35 Cybercity  
Ebene 72201  
MAURITIUS

27 May 2019

Dear Sirs,

We have examined the updated Business Plan of Africa Clean Energy Solutions Limited ("ACES") dated 24 May 2019, in view of its submission to the Stock Exchange of Mauritius Ltd.

Our review was based on assumptions and information provided by management and we have not audited same.

Based on our review, nothing has come to our attention which causes us to believe that the operational assumptions laid out in the Business Plan, inclusive of the financial forecast (covering the six year period ending June 2019 to June 2024) do not provide a reasonable basis for the forecast with regards to its sustained viability. Further, in our opinion the forecast is properly prepared on the basis of the assumptions and is presented in accordance with International Financial Reporting Standards.

Actual results may also differ from the forecast since anticipated events may not occur as expected and the variation may be material.

BDO & Co assumes no responsibility whatsoever in respect of or arising out of or in connection with the contents of this certificate to third parties.

Yours faithfully,

BDO & Co

## 1. EXECUTIVE SUMMARY

AFRICA CLEAN ENERGY SOLUTIONS LIMITED (“ACES”), through its subsidiary companies, is a clean energy solutions provider, established and incorporated in Mauritius in December 2017. On 29 November 2018, the Listing Executive Committee of the Stock Exchange of Mauritius Ltd (“SEM”) approved the listing of the ordinary shares of ACES on the Official Market of the SEM.

Prior to the initial listing date, the Company will issue up to 600 000 new shares at a price of USD 1.00 per share by way of an initial placing which, together with the 25 441 542 shares already in issue, will be listed on the Official Market of the SEM on or around 30 May 2019 (“SEM listing”). The listing is in line with longer-term trends which are bringing new sources of demand and investment for renewable and clean energy solutions.

Three of these longer-term trends are:

- Utilities’ increasing commitment to decarbonisation;
- Burgeoning renewables deployment in emerging markets; and
- Sharpening focus on resilience, especially in response to increasingly severe weather events.

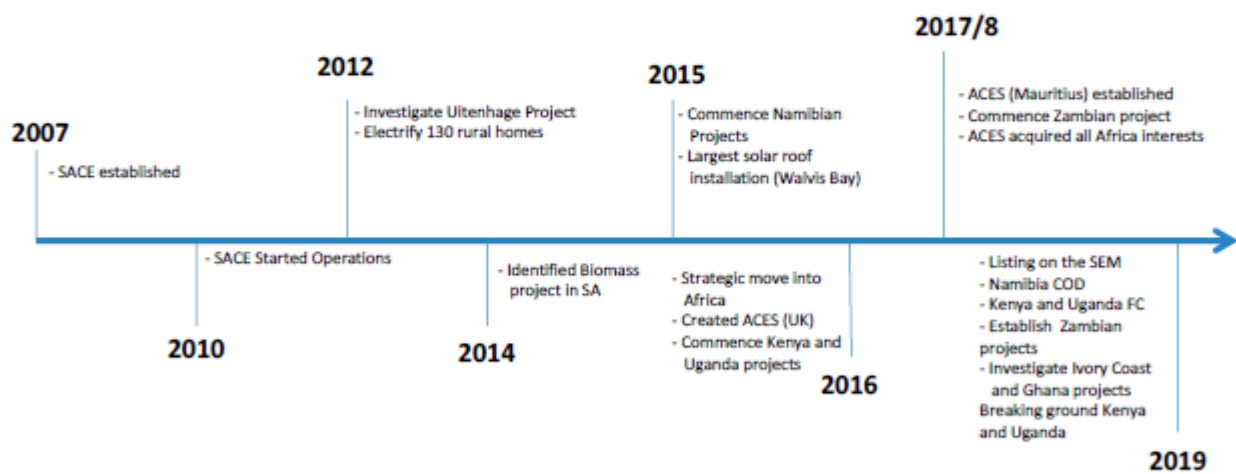
ACES has capitalised on this demand and growth trend and has established a strong project pipeline for the next five years. (See Annexure B detailing the projects for Kenya, Uganda, Zambia and Mozambique.) During the next calendar year as the Company completes the Power Purchase Agreements (“PPAs”), it will be necessary to raise additional equity at the Company level to invest in each project, to bring the projects to financial close. The amount to be raised will be determined by the cash resources of the Company at the time of raising. However, it is estimated that the Company will need to raise a maximum of USD35 million, on the basis that it does not have surplus cash resources following the issuing and receipt of PPAs for projects in Kenya and Uganda. As such, the proceeds from the capital raising will be invested in the existing projects and identified future projects in accordance with the commercial operating date (“COD”) mentioned in the PPAs.

In case a subsidiary company does not have the requisite expertise, experience and human resources to develop and manage a project on its own, the management team of ACES being an experienced team with a proven track record in the renewable energy sector, will provide

expertise to its subsidiaries to manage and develop identified renewable energy projects and in return, the Company will earn development fees and/or management fees.

The historical track record of management’s ability to deliver on project/company objectives is summarised in the diagram below:

## THE JOURNEY SO FAR – SACE and ACES



SACE was established by Dave Kruger and Melvyn Antonie in 2007 in South Africa with the specific object of providing clean energy and clean energy solutions to its chosen customers based in South Africa and Namibia.

In 2016, ACES (UK) was formed in the United Kingdom with a view to create a structure to accommodate the development and growth in Africa, more particularly in Kenya and Uganda, and subsequently in Zambia.

In order to meet the objectives, develop its broader strategy and meet the requirements of the shareholders of the Group, ACES was established in Mauritius in December 2017 and acquired ACES (UK) in exchange for shares in June 2018.

Over the last 10 years, the management team of ACES (Dave Kruger and Melvyn Antonie), through their involvement in SACE and ACES (UK), has demonstrated a proven track record of delivering key company milestones. In 2014, after completing numerous feasibility studies and technology investigations, it was decided to identify countries in Africa for the development and installation of renewable energy power plants with a strong and stable off-taker to pay for the electricity over a 20-25 year period.

## **LAST 4 YEAR MILESTONES AND THE FORTHCOMING YEARS**

**For purposes of the ACES business plan, key company milestones delivered and achieved by management over the last 4 years, and set out for the forthcoming years, are highlighted below:**

- 2014 – Five African countries were selected after a detailed due-diligence, including South Africa. A Black Economic Empowerment (“BEE”) partnership was formed in South Africa and two projects (one solar project (3 MW) and one biomass project (4.2 MW) were established with a COD of 2020.
- 2015 – Two Namibia projects were established on the Independent Power Producer (“IPP”) program, a local partner identified and an SPV was established in that country. Two solar projects of 5 MW each, were successfully developed with a COD of June 2019.
- 2016 - Since the strategic decision in 2014 to expand into selected African Countries, management incorporated a new company, ACES (UK) in 2016 in London for projects to be established in selected African Countries. Local partners were identified in both Kenya and Uganda and SPVs were formed in the respective countries. Through a detailed due diligence process conducted during 2016, management identified four projects (solar and biogas) in Kenya and Uganda for development and execution. The Kenyan projects comprise two hybrid plants each comprising a 10 MW Solar plant and a 10 MW Biogas plant. The Ugandan projects comprise two 20 MW biogas plants. Estimated financial closure of the first Kenyan project is July 2019 and the second Kenyan plant is January 2020. The financial close for the first Ugandan Project is September 2019 and the second is May 2020 and the estimated COD for the four projects is between 2020 and 2021.
- 2017 – As per the agreed strategic expansion strategy, management incorporated ACES in Mauritius in December 2017, as the group holding company.
- Following a detailed due diligence process in 2017, Zambia was identified as the next selected African Country for expansion. A local partner was selected and an SPV has been formed.
- In April 2018, ACES acquired the entire issued share capital of ACES (UK).
- 2018:
  - A Zambian project (Getfit program) was submitted (solar) for development and execution. ACES did not qualify for the first round in the Getfit program. The Government will make a final selection of IPPs who have qualified for first round



of the Getfit program in April 2019. Notwithstanding, ACES is in discussions with one of the three qualifiers to do a joint venture.

- Three further selected African Countries were identified (Ivory Coast, Ghana and Mozambique) for solar and biogas projects – these projects are currently under investigation.
- The ACES Board resolved to apply for a listing on the Official Market of the SEM in order to formalise and further the business interests of ACES.
- In November 2018, the Listing Executive Committee of the SEM approved the listing of the shares of ACES on the Official Market of the SEM.

It is ACES' intention to acquire the business of SACE in exchange for shares in ACES. This acquisition is expected to happen shortly after the SEM listing. SACE has received the approval of the Exchange Authority of the South African Reserve Bank to implement the acquisition of the SACE business by ACES.

SACE, is a developer of renewable energy projects incorporated in South Africa, which sells energy to the commercial market and utilities. It conducts its business in South Africa and Namibia. SACE has developed two Solar projects in Namibia and is currently developing a solar project and a Biomass project in South Africa.

The main high-level strategic objectives of ACES for the forthcoming years are to:

- Become one of the major publicly-owned (non-government) utility investment and management companies in clean energy (renewable energy) projects in Africa within the next 5 years;
- Adhere to best practice corporate governance and ethical business practice;
- Operate a sustainable business and provide superior financial returns to its shareholders;
- Provide a business platform for continuous innovation and improvement of clean energy processes, services and products;
- Meet the 21<sup>st</sup> century challenges of supplying clean energy and meeting environmental needs particularly as they apply to Africa;
- Provide sustainable shared-value for all stakeholders and corporate social responsibility assistance to local communities where its plants are established and operated;
- Apply for a listing on other recognised International Stock Exchanges.

ACES is managed by a skilled executive management team with significant experience in the field of clean and renewable energy solutions. The governance structure of the Company is

based on compliance with the Mauritian Companies Act 2001 and corporate governance best practice principles and is designed to suit the specific requirements of the Company.

The financial projections, valuations and assumptions contained in Section 17 of this document are based on tested financial modelling used in the successful implementation of previous energy projects and services commissioned by management.

## 2. CORPORATE INFORMATION

<b>Directors</b>	<b>Registered Office</b>
<p><b>Gaetan Siew (Chairman)</b> 45 Saint George's Street 11324 Port Louis Mauritius</p>	<p>c/o Intercontinental Trust Limited Level 3, Alexander House 35 Cybercity Ebene 72201 Mauritius</p>
<p><b>Johan David Kruger (CEO)</b> 109 9<sup>th</sup> Street Linden 2104, South Africa</p>	
<p><b>Melvyn Antonie (COO)</b> 24 John McKenzie Drive Emmarentia Ext 1 2195, South Africa</p>	
<p><b>James S. Friedlander</b> 16 Devonshire Close, London, W1G 7BB United Kingdom</p>	
<p><b>Toorisha Nakey-Kurnauth</b> Baldeo Chumun St, Triolet, Mauritius</p>	
<p><b>Smitha Algoo-Bissonauth</b> Bisnath Lane, Ramdin Street, Eau Coulee, Curepipe, Mauritius</p>	
<p><b>Company Secretary</b>  Intercontinental Trust Ltd Level 3, Alexander House 35 Cybercity, Ebene, 72201 Mauritius</p>	<p><b>SEM authorised representative and sponsor</b>  Perigeum Capital Ltd Level 4, Alexander House 35 Cybercity, Ebene, 72201 Mauritius</p>
<p><b>Auditors</b> BDO &amp; Co 10, Frere Felix de Valois Street Port Louis Mauritius</p>	<p><b>Independent Financial Advisor</b> BDO &amp; Co 10, Frere Felix de Valois Street Port Louis Mauritius</p>

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**Mauritian transaction advisor**

Perigeum Capital Ltd  
Level 4, Alexander House  
35 Cybercity,  
Ebene, 72201  
Mauritius

**Bankers**

AfriAsia Bank Ltd  
Bowen Square  
10, Dr Ferriere Street  
Port Louis  
Mauritius

Date of Incorporation: 8 December 2017

Place of Incorporation: Mauritius

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**Mauritian legal advisors**

C&A Law  
Suite 1005, Level 1  
Alexander House  
35 Cybercity  
Ebene 72201,  
Mauritius

### 3. DEFINITIONS

<b>“ACES” or the “Company”</b>	<b>Africa Clean Energy Solutions Limited, a company registered in Mauritius and the holding company of the Group</b>
<b>“ACES Group” or “Group”</b>	<b>ACES and its subsidiaries</b>
<b>“ACES (UK)”</b>	<b>Africa Clean Energy Solutions (ACES) Limited, a 100% held subsidiary of ACES, registered in England and Wales</b>
<b>“ARCP”</b>	<b>Africa Renewable Clean Power (Pty) Limited, a 72% held subsidiary of SACE, registered in Namibia</b>
<b>“SACE”</b>	<b>South Africa Clean Energy Solutions Limited, a company registered in South Africa</b>
<b>“SACE PROJECTS”</b>	<b>SACE Projects (Pty) Limited, a 49% held company by SACE, registered in South Africa</b>
<b>“TANA BIOMASS”</b>	<b>Tana Biomass Generation Limited a 70% held subsidiary of ACES (UK), registered in Kenya</b>
<b>“TANA SOLAR”</b>	<b>Tana Solar Limited a 70% held subsidiary of ACES (UK), registered in Kenya</b>
<b>“UNERGY”</b>	<b>Unergy Limited a 75% held subsidiary of ACES (UK), registered in Uganda</b>
<b>“VFU -Cell”</b>	<b>VFU – Cell (Pty) Limited, a 70% held subsidiary of ACES (UK), registered in Zambia</b>

#### **4. INTRODUCTION AND PURPOSE OF THE DOCUMENT**

ACES, through its subsidiary companies, is a clean energy solutions provider, established and incorporated in Mauritius on 8 December 2017. ACES's shares are expected to list on the Official Market of the SEM on or around 30 May 2019. The decision to list on the SEM is in line with longer-term trends which are bringing new sources of demand and investment for renewable energy. Three of these longer-term trends are:

- Utilities' increasing commitment to decarbonisation;
- Burgeoning renewables deployment in emerging markets; and
- Sharpening focus on resilience, especially in response to increasingly severe weather events.

Annexure B contains details of the project pipeline and Annexure C outlines a short market research section in order to provide the required industry context to the reader of this business plan.

The main purpose of this document is to:

- Set out the rationale and approach of ACES in the clean energy markets in Africa, initially in selected countries such as Kenya, Uganda, Tanzania, Ivory Coast, Mozambique, Zambia, South Africa and Namibia;
- Provide potential investors with a solid business and investment case;
- Set out a detailed action plan to meet ACES' objectives;
- Set out the future financial requirements of ACES.

#### **5. INCORPORATION AND LISTING**

ACES was incorporated and registered in Mauritius on 8 December 2017 and holds a Category 1 Global Business License issued by the Mauritian Financial Services Commission in accordance with the Mauritian Companies Act 2001 and the Mauritian Financial Services Act 2007.

The stated capital comprises ordinary shares of no par value. Each share ranks *pari passu* with each other once issued.

The Company was incorporated with a share capital of 334,811,706 shares issued at USD 0.00001 per share.

During the period from date of incorporation to 31 October 2018, the Company issued 152,669,142 new shares.

At the general meeting held on 31 October 2018, the shareholders of the Company approved the consolidation of the shares on a 1 for 20 basis resulting in the issued shares being 24,374,042.

During the period 1 November 2018 to 13 November 2018, the Company issued 1,067,500 new shares.

There have been no further alterations to the Company's share capital.

As at the date of this document, the total number of shares in issue is 25,441,542.

It is envisaged that the Company's shares will list on the Official Market of the SEM on or around 30 May 2019.

Prior to the initial date of listing on the SEM, ACES will place and issue up to 600,000 additional ordinary shares to targeted investors at an issue price of USD 1.00 per share.

The Group follows a shared-value strategy with a strong income focus as more fully set out in paragraph 6.1.

ACES is led by a team of individuals with significant experience and a successful track record in renewable energy, construction, merchant banking, commercial banking, insurance, legal in Africa, mobile telecommunications in Africa, investments in mining, industrial and commercial activities.

A description of each member of executive management and the Board of Directors (the "Board") is set out in Annexure A.

**Management's first-hand experience in Africa, knowledge and networks across the targeted jurisdictions is considered invaluable to the strategic direction and day-to-day management of ACES.**

The Company conducts its business from Mauritius because of the business-friendly environment, the spread of double-tax agreements that Mauritius has with many of the jurisdictions that the Group will invest in and access to a global investor base. Consequently, ACES' Board comprises of a number of Mauritian resident directors, based on compliance and legal requirements.

The Group's reporting currency is United States Dollars ("USD" or "US\$"), with the financial year-end of each company in the Group being 30 June each year.

It is anticipated that the listing on the SEM will provide access to a global investor base of managed investment funds, high net worth individuals and other sources of capital who view Mauritius as an attractive investment destination.

ACES will also consider listing its shares on other recognised international stock exchanges following the SEM listing to:

- Provide an additional source of capital to fund the growth aspirations of the Company;
- Enhance the awareness of the Company in order to attract investors;
- Improve the depth and spread of the shareholder base of the Company, thereby improving liquidity in the trading of its shares;

- Provide invited investors, both institutional and private, the opportunity to participate directly in the income streams and future capital growth of the Company; and
- Provide invited investors with an additional market for the trading of the Company's shares.

## **6. OVERVIEW OF ACES**

### **6.1. Mission statement of the ACES Group**

- To develop, own and operate clean energy power plants throughout Africa;
- To become a significant independent provider of clean energy; BUT at the same time make a positive impact on people's lives;
- To create a cleaner environment, while offering a sustainable return to our investors.

### **6.2. History and nature of business**

The following section provides the necessary context for the establishment of ACES.

SACE was established by Dave Kruger and Melvyn Antonie in 2007 in South Africa, with the initial objective of exploring opportunities in South Africa and Namibia. However, as these opportunities became competitive and administratively complex, it was decided by the Board of directors of SACE in 2014, to explore opportunities outside of South Africa and Namibia, more particularly in Kenya and Uganda initially and subsequently in Zambia, Mozambique, Ivory Coast and Tanzania.

During 2014, it was decided to investigate a listing on the AIM market on the London Stock Exchange and a subsequent secondary listing on the Johannesburg Stock Exchange. During the investigation, it was concluded that a company needed to be registered in the UK for this purpose.

In 2016, ACES (UK) was formed in the UK, with a view to creating a structure to accommodate the development and growth in Africa, more particularly in Kenya and Uganda, and subsequently in Zambia but at the same time to be used as a listing vehicle on the AIM.

ACES (UK) was formed with a nominal share capital of GBP 300 comprising 300 shares at GBP 1 each. The registered shareholders were Dave Kruger, James Friedlander and



Melvyn Antonie each being shareholders of SACE and each holding 100 shares in ACES (UK) for and behalf of the SACE shareholders.

The intention was to sell the issued shares of SACE to ACES (UK) in exchange for shares, which would have had the effect of ACES (UK) being the holding company of SACE. SACE shareholders would then hold their equivalent percentage of shares in ACES (UK).

Unfortunately, the South African Exchange Authorities declined the proposed structure and the ACES Group had to reconsider its strategy.

It was subsequently decided to set up a company in Mauritius. ACES was therefore registered on 8 December 2017 in Mauritius, as a public company with a no par value share capital. In order to ensure that the SACE shareholders participated in a like manner in ACES, the SACE shareholders subscribed for new shares in ACES, at a nominal value. This structure and subscription was done in compliance with the South African Exchange Control Authority rules and regulations.

Although ACES is a separate company, it has common shareholders with SACE and two of the SACE directors, viz Dave Kruger and Melvyn Antonie are executive directors of ACES.

From the date of the registration of ACES (UK), the ACES Group expanded its activities into Kenya, Uganda and Zambia. In order to progress these developments, separate companies were created in each jurisdiction. The equity of these separate companies was held by ACES (UK). At the time ACES was registered in 2017, the intrinsic value of ACES (UK) increased.

However, the main intention for the formation of ACES (UK) was to create a vehicle for listing purposes and as the holder of African assets, but at the same time to ensure that the shareholders of SACE, who had financed the ACES Group over many years, would participate in the holding of African assets at the same percentage that they held in SACE.

It was never the intention, when ACES (UK) was registered, by Dave Kruger, James Friedlander and Melvyn Antonie, for them to benefit from the structure to the exclusion of the SACE shareholders. In fact, they were nominee shareholders in ACES (UK) for the SACE shareholders.

The acquisition of ACES (UK) by ACES was done at nominal value, after taking into account all these circumstances and on legal advice.

In order to meet the objectives, develop its broader strategy and meet the requirements of the shareholders of the ACES Group, ACES was established in Mauritius and acquired ACES (UK) in exchange for shares in April 2018.

It is ACES' intention to acquire the business of SACE in exchange for shares in ACES. This acquisition is expected to happen shortly after the SEM listing. SACE has received the approval of the Exchange Authority of the South African Reserve Bank to implement the acquisition of the SACE business by ACES.

The value of the SACE business is estimated to be US\$1,500,000 but an independent valuation will be obtained of the SACE business prior to the acquisition to determine the number of ACES shares to be issued as consideration. This valuation will be part of the various circulars necessary to be sent to the shareholders of ACES and SACE.

The nature of the business of the ACES Group is as follows:

- provide clients with a clean energy solution;
- finance, build, own and operate the plants and sell energy to clients on a long-term contractual basis;
- provide a turn-key solution should a client wish to own the plant;
- each subsidiary company of ACES, either through its own resources or through associate third parties, identifies suitable clean energy projects falling essentially within the following sectors:
  - “Biomass/Biogas” and Waste –to – Energy technology; and
  - Solar technologies;
- assess a project's capability to provide a partial or total clean energy solution and a project's economic viability;
- prepare a comprehensive feasibility study once the first stage is complete and if the project is bankable, the ACES Group funds the project from its own resources or raises funds for the project;
- should the ACES Group provide or arrange finance for a project, it will also provide management skills and business input on an ongoing basis;
- if the clean development mechanism (“CDM”) is still in force, the ACES Group will consider submitting the project to the United Nations for accreditation; and
- the ACES Group concentrates its efforts only on National Energy Utilities, mining, commercial and industrial opportunities in Africa.

### **6.3. High-level strategic objectives**

The main high-level strategic objectives of the ACES Group are to:

- Become one of the major privately-owned utility companies in clean energy

- projects in Africa within the next 5 years;
- Provide the continent with the correct energy mix required in terms of technology and baseload reliable energy;
  - Adhere to best practice corporate governance and ethical business practice;
  - Operate a sustainable business and provide superior financial returns to its shareholders;
  - Provide a business platform for continuous innovation and improvement of clean energy processes, services and products;
  - Meet the 21st century challenges of supplying clean energy and meeting environmental needs particularly as they apply to Africa;
  - Provide sustainable shared-value for all stakeholders and corporate social responsibility assistance to local communities where its plants are established and operated;
  - Potentially apply for a listing on other International Stock Exchanges.

#### **6.4. ACES Group Operating Strategy**

The Group's operating strategy is to develop, finance, build, own and operate sustainable clean energy projects using its chosen technologies in its selected geographical areas of operation. A further operating strategy is to generate a sustainable strong cash flow for the benefit of the Company, its shareholders and meet the Group growth strategy

#### **6.5. Rationale for the Group Strategy**

##### **A Whole New Industry for Shared-Value and Employment Creation**

The skills development in carbon reduction energy generating projects and the establishment and operations of such plants provide the potential to create a significant number of jobs in Africa.

This new industry will increase the tax revenue base of Africa.

The Biomass and Biogas developments are very important in sustainable energy mix and the creation of new skills and employment in Africa as the raw material required is obtained mainly from agricultural by-products, which is a large employer and the use of man-made waste (agricultural and domestic waste) to clean the environment.

The provision of energy to many countries in Africa will allow those countries to supply energy for commercial, industrial and domestic purposes which will have a direct impact on their economic growth and performance, creating many new employment opportunities and improving the quality of life for their citizens.

##### **Erratic Supply of Electricity**

Although South Africa has developed a very successful model for the creation of renewable energy and although the supply of energy has stabilised, once the South African economy expands at a rate higher than 2.5% per annum, the supply of energy

will once again prove to be a restriction on economic growth with its detrimental economic effects on commerce and industry. This will encourage both commerce and industry to look for alternative and sustainable sources of energy which can be controlled or owned by them.

As of mid-2017, 62.5% of the Sub-Saharan African population (over 650 million people) did not have access to energy.<sup>1</sup>

Africa is looking at renewable energy as a means of increasing its electricity supply. Pay-as-you-go solar has attracted USD750 million in investment over the last 5 years and mini-grids are gaining attraction with significant donor funding. Donor funding is estimated to be around USD600 million. Public sector electrification efforts by national governments are intensifying and 60% of newly connected population were in rural areas – rural electrification increased from 16% to 23%.<sup>2</sup>

Many countries in Africa have experienced a very erratic supply of energy due to the lack of infrastructure and reliable grid ties. In addition, the source of energy is limited due to the use of carbon related resources. Renewable energy, particularly in the form of Solar and Biogas/Biomass, is a natural and very economical source of energy for the African continent. Africa produces very high solar radiation which is ideal for the installation of solar plants, making Africa one of the most efficient continents for the production of solar energy. Solar energy can be installed for regional and local use with an economical cost to install or improve the infrastructure or grid ties.

The African continent has the capability of producing Energy feedstock for the Biogas and Biomass technologies at very economical prices and in sufficient quantities. This aspect is also a very good job creator for the continent.

## **7. INVESTMENT APPROACH**

### **7.1. Objectives, Geographic and Sectorial Focus**

ACES, through its subsidiary companies, mainly conducts its business in Africa. Prior to any investment strategy being formulated, a detailed investigation/due-diligence of a selected African Country is performed. The due-diligence covers, inter alia, political stability, country rating, economic policy, energy supply and requirements, energy policy, infrastructure development and needs.

As indicated, SACE, operates a successful renewable energy business in South Africa and Namibia. ACES' management team is the same experienced management team running and operating SACE. As indicated, it is ACES' intention to acquire the business of SACE in exchange for shares in ACES shortly after the SEM listing.

Once a decision is made to invest in a particular country, the Company investigates the need to invite local participation. After a due diligence exercise a local partner is identified

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<sup>1</sup> Source: World Economic Forum (2018)

<sup>2</sup> Source: World Economic Forum (2018)

and an agreement signed. The local partner will hold between 25% and 30% of the project company (SPV) while the ACES Group will hold the balance. Not all local partners have the necessary resources to finance their portion of the equity needs of a project. In that case ACES will provide the finance to the local partner on a structured secured loan basis. The loan will be repaid from the cash flow of the project.

## **7.2. Investment strategy**

The ACES Group's investment strategy is based on its core business of providing clean energy solutions to those countries in which the Company's subsidiary companies operate, provided the following investment criteria are met.

- The ACES Group concentrates its efforts to establish renewable energy plants ranging between 3 MW and 50 MW in size;
- The ACES Group concentrates its efforts to supply energy either to Government agencies or the mining industries or other substantial consumers of energy;
- Each project predominantly generates income in US Dollars, thereby reducing currency risk;
- The selected country meets the fundamental requirements of the investment criteria of the Group, including political stability and investment grade ratings;
- The various country-specific risks could be mitigated through the provision of long term insurance cover for political risk and economic protection;

ACES shall manage a project for an agreed fee for the duration of the project using the experience and human resources of the Company, being an experienced team with a proven track record in the renewable energy sector.

## **7.3. Investment financing**

The ACES Group utilises various sources of finance from standard debt and equity structures to lease and project finance structures. However, in assessing the viability of a project, a standard financial model, incorporating debt to equity structures, is used.

The normal debt to equity ratio that will be used by the group at project level is 75%:25%. However, should circumstances require, the equity portion could be increased.

Included in the project assessment is a Debt Service Reserve Account ("DSRA"), which covers the short-term cash requirements of a project. Traditionally, each project will require additional finance in the first three years of operation, which is covered by the DSRA.

#### **7.4. Investment criteria**

The ACES Group has adopted fairly rigid investment criteria:

- The project must produce a specific minimum internal rate of return of 12% in USD terms on the equity portion calculated on the after-tax cash flow of the project;
- The net cash flow must revert to a positive after-tax cash flow after three to five years;
- The cash flow must be denominated in a strong currency – normally US Dollars;
- Each subsidiary owning a project will distribute a dividend of 100% of the profits after tax provided it has the necessary free cash.

#### **7.5. Investment source**

The ACES Group sources its finance for a project from:

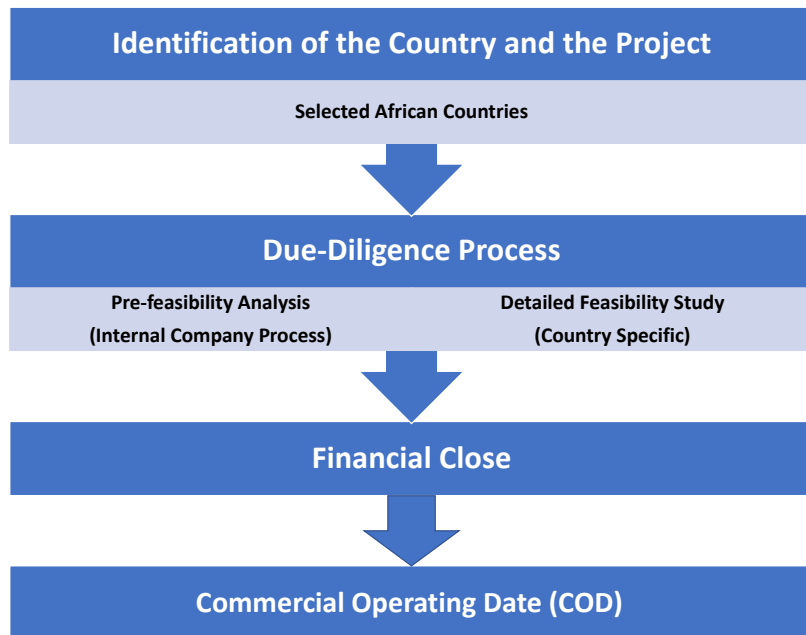
- Selected financial institutions who operate either locally or internationally. These institutions provide either the debt or lease finance.
- The period of debt finance is between 12 to 15 years (based on the specific merits of each project), but all models use a 12-year loan period repayable in equal monthly instalments.
- The development costs of a project, which is converted to equity, is financed from the Company's own resources.
- The equity portion of a project is provided by the Company and the remaining shareholders of the project company up to financial close of a project and thereafter the debt facility is utilised.
- The equity portion to be provided by the Company will be raised by the Company as new equity or provided from its own resources.

The balance of the funds to develop a project is raised from recognised financial institutions as debt provided to the project company.

#### **7.6. Investment process**

The investment process requires a long-term strategy, which could take up to three years before the construction of a project commences. The high-level investment process is described in the diagram below:

Figure 1 – investment process



### 7.7. Short-term deliverables, Medium-term Goals and Capital Raising

The short-term deliverables (1 January 2019 – 31 December 2020) of the Company's management can be summarised as follows:

- To raise adequate funding to facilitate financial closure of the active projects in Kenya, Uganda and Zambia.
- To finalise and facilitate the issuing and signature of Power Purchase Agreements and Power Generating Licences in Kenya and Uganda for the ACES Group's solar and biogas projects.
- To list the shares on the Official Market of the SEM.
- To acquire the business of SACE in exchange for shares of ACES.
- To finalise investigations of renewable energy projects in Ghana, Ivory Coast and Mozambique.

The medium term goals of the ACES Group (1 January 2021 – 31 December 2024) are to develop and bring to completion projects capable of supplying 550 MW of renewable energy in not less than five selected African countries.

As indicated, the short-medium term strategy is to raise sufficient capital for the Company to meet its equity needs in these projects, but as the Company's cash flow improves, the need for equity capital raising could reduce as the Company will be generating a strong cash flow which could partly cover its own equity capital needs. The self-funding of equity should be balanced against the Company's objective to distribute dividends to shareholders from strong cash flow performance.

In addition, as projects mature, the Company may, through its subsidiary companies, take a view to reduce its investment in a project, at a capital profit, and use the proceeds to reinvest in ongoing projects. Alternatively, the Company may decide to purchase part or all of the minority shares.

The approach of the Company is to use debt up to 75% of a total project value, repayable over a defined period, normally 12 to 15 years. This debt will be raised at the project level. The debt can take the form of straight debt, mezzanine finance, lease finance or project finance in structure.

#### **7.8. Gearing structure**

The debt raised in the Company will be at the project level. Although the debt will be consolidated on the Company's financial statements, the actual debt raised at Company level will not exceed 25% of shareholders' funds.

Based on the debt to equity of 75%:25% at the project level and 25%:75% at the Company level, the consolidated level of gearing will not exceed 81.25%.

#### **7.9. Exchange rate risk mitigation**

It is the intention that all Power Purchase Agreements are written to produce US Dollars returns in order to mitigate against currency risk. The projects in Kenya, Uganda and Zambia are contracted in US Dollars.

In the event that a PPA is written in a local currency, the Company will take out forward cover in USD to mitigate the currency risk. This cost will be built in the financial feasibility study. If no forward cover can be obtained, the Company will not proceed with the Project.

All cash flows to the Company are derived in US Dollars.

#### **7.10. Dividend distribution framework**

The Company's Board will authorise and approve all dividend distributions. The dividend distribution framework is divided into two streams:

- A 'project company' or subsidiary company aims to distribute dividends of a 100% of its free cash flow after tax;
- The Company aims to distribute as dividends approximately 35% of its free cash flow after tax.



### **7.11. Targeted investment jurisdictions and returns**

Set out in Annexure B are the investment jurisdictions that the Company's subsidiary companies have targeted and will target in the forthcoming three years. Also set out in Annexure B are the details of each project that the Group is currently working on.

## **8. SHAREHOLDERS**

As at the date of this Business Plan, the Company comprises of 54 shareholders who collectively own 100% of the issued ordinary shares in the Company.

Prior to the initial date of listing on the SEM, ACES will place and issue up to 600,000 additional ordinary shares to targeted investors at an issue price of USD 1.00 per share.

Post the SEM listing, the Company intends to raise sufficient funding for the development of the projects of its subsidiary companies in the selected countries.

As indicated, it is the Company's intention to raise a maximum of new capital of USD 35 million, following the issuing of PPAs in Kenya and Uganda, for investment in the projects of subsidiary companies as detailed in Annexure B. It is anticipated that the equity funding will be raised from investors in Mauritius, international investors, investors from South Africa as well as investors from the Common Monetary Area, following the SEM listing.

The SEM listing also provides the Company with the ability to issue listed shares to vendors of potential acquisitions, having regard to the strength of managements' relationships and the known interest of investors in the targeted geographical jurisdictions.

## **9. CAPITAL RAISES FOLLOWING LISTING ON THE SEM**

As indicated, it is anticipated that the Company will seek to raise a maximum of USD 35 million following the issuing of PPAs in Kenya and Uganda and following the listing on the SEM.

The Company aims to invest these proceeds in projects of its subsidiary companies in Kenya and Uganda.

Further capital raisings will be required and undertaken to meet the equity needs of future projects and, depending on demand. These proceeds will be invested in line with the Company's investment strategy.

## **10. DEBT FUNDING**

The Company has so far issued USD 40,000 worth of convertible loan stock, further details on which are provided in **Annexure D**. Other than the convertible loan stock, the Company has no debt and the gearing structure is set out in paragraph 7.8 above.

## **11. INVESTMENTS**

ACES' stated investment strategy is to invest in renewable energy projects in selected countries in Africa using either Solar Photovoltaic, Biogas or Biomass technology.

The customer base of ACES is either the National Utilities in an appointed country or a commercial entity which in the opinion of the Board is financially viable to enter into a long terms off-take contract.

The Company is a newly incorporated company in Mauritius. As part of its growth strategy, the Company has acquired 100% of ACES (UK) in April 2018.

ACES (UK) was established in February 2016 for the express purpose of holding the shares of the Group in the African companies, excluding South Africa and Namibia.

ACES (UK) in turn holds 70% of the issued shares in Tana Biomass Generation Limited and Tana Solar Limited in Kenya, 75% in Unergy Limited in Uganda and 70% in VFU-Cell Limited in Zambia. The above-mentioned companies are very active in the countries in which they are incorporated and have incurred substantial development costs.

The full details of the projects under development are set out in Annexure B.

As stated earlier in this document, it is the Company's intention to acquire the business of SACE in exchange for shares in ACES shortly after the listing of ACES on SEM. In case the Company decides not to proceed with this acquisition or the conditions precedent are not met, this is not expected to have any adverse effect of the Company's listing on the SEM.

Should the acquisition of SACE proceed, shareholders will be provided with a circular which will contain all the information regarding the entity and an independent valuation of SACE.

It is expected that the acquisition of SACE as well as other future similar acquisitions will integrate highly qualified and experienced human resources into the ACES Group. The Company will seek to capitalise on the know-how and contacts of the new personnel to identify further investment opportunities and to facilitate the capital raising to finance its investments.

## **12. RISK ANALYSIS**

The risks applicable to the Group are typical of those that are associated with investing in Africa and in the renewable energy space. The Board of the Company understands these inherent risks and takes all reasonable and, where possible, appropriate steps to mitigate such risks. The Company has implemented a robust risk management

framework, based on best practice enterprise risk management. The Board and Management review the Company's risk register on a regular basis and update risk movements and mitigation plans accordingly.

The Company will require to raise capital on an ongoing basis as it expands its footprint in Africa, to invest, through its subsidiary companies, in the renewable projects that they develop and therefore avail itself of the investment opportunities in the renewable energy development on the African continent. Although there is always a risk that the Company does not raise sufficient capital, such failure to do so would not impact on the operations of the Company.

As an alternative strategy to direct fund raising, the Group has the ability to develop a project to the point of achieving a Power Purchase Agreement and then if need be, invite equity investors to invest directly into a project with the Company, which will result in a dilution of the shareholding of the Company in the project. A number of the risks identified by the Company is discussed below.

### **12.1. Energy, technology, location and infrastructure Risks**

Management is aware that certain risks relate specifically to Energy and the Technology being selected for the specific location, namely:-

- The risks associated with Solar Energy are minimal provided the project is constructed according to approved layouts and diagrams in the Engineering, Procurement, Construction (EPC) contract. In any event the provider and installer of the equipment provides a performance guarantee for the period of the Power Purchase Agreement. The EPC Company could also be selected to do the Operations & Management for the period.
- The risk associated with the irradiation of the sun, which yield fluctuates from country to country and is also location specific in term of the best yield generated from the sun. In reducing this risk, equipment is used to determine the best yield and location for the solar project. This also assists with the selection of the land location and equipment.

In regard to the Biogas Project, the major risks are:

- The quality and certainty of the feedstock. In this regard, management has adopted a "ring fenced" strategy in terms of which the operating company will control the production of the feedstock and ensure that the project has enough buffer feedstock for a period of not less than six months. By providing the land to the farmer, the feedstock is exclusively provided to the project.
- The operational issues will be under the direct control of the qualified employees of the Group.

With regard to infrastructure, the major risks are:

- All transmission, connection and infrastructure requirements are addressed prior to the commencement of the project. This is identified in the feasibility study of

the project. A transmission agreement is then signed with all the responsibilities and financial commitments allocated and accepted by the parties.

## **12.2. Capital and Investment Risk**

While Management abide by all legal and regulatory frameworks, the development of renewable projects through its subsidiary companies carries the investment risk of a loss of capital and there can be no assurance that the Company will not incur losses. Returns generated from the investments of the Company may not adequately compensate shareholders for the business and financial risks assumed. An investor should be aware that it may lose all or part of its investment in a particular subsidiary, which would be beyond the control of the Directors. Many unforeseeable events, including actions by various government agencies and domestic and international economic and political developments may cause sharp market fluctuations which could adversely affect the Company's portfolios and performance both in the short and longer terms.

## **12.3. Currency Risk**

The Company will invest in jurisdictions other than Mauritius. The investments will be denominated predominantly in US Dollars. For those investors whose base or home currency is not the same as the relevant foreign currency, there is a risk of currency losses if the US Dollar depreciates against the investors' base currency.

## **12.4. Stock Market Risk**

The Company's share price/market capitalisation value is subject to market vagaries and could decrease or increase in price based on the movement in global and local stock markets.

## **12.5. Liquidity Risk**

The nature of the business of the Group is to invest and own a project until maturity of the contract. Although a market exists for such assets, it is dependent on the investors' appetite for a project of clean energy in a particular market. The cash flow from its projects (although in US Dollars) tend to become positive some three to five years after final commencement date of the project. A value of a project increases significantly from the commencement date of operation, which should flow through to the share price of the Company, however the subsidiary company may not be able to sell a project if it is required to do so or to realize what it perceives to be fair value in the event of a sale.

## **12.6. Leverage and Financing Risk**

Although it is the intention not to leverage the Company above the 25% level, the underlying projects could have the effect that the Company may pledge its shares held in a particular SPV in order to raise funds for investment purposes. While leverage presents opportunities for increasing the total return of the Company, it has the effect of potentially increasing losses as well.

Based on the debt to equity of 75%:25% at the project level and 25%:75% at the Company level, the consolidated level of gearing will not exceed 81.25%.

## **12.7. Global Political, Economic and Financial Risk**

As the Group will invest in African countries, it could be exposed to adverse political, economic, environmental, social and financial events. The value of the investments could decline as a result of economic developments such as poor or negative economic growth, poor balance of payments data, high interest rates or rising consumer price inflation. A similar situation would prevail due to political instability in certain jurisdictions.

The Group will take reasonable steps to mitigate against these risks, including political risk and other insurance cover.

## **12.8. Operational risk**

As the Group's strategy is to own and operate its clean energy operations, operational risk needs to be aggressively managed. Operational failures/outages could result in financial loss for the Group as well as significant reputational risk.

## **12.9. Stakeholder risk**

As the Group's main investment focus is in African countries, its stakeholder relationships need to be carefully managed in order to create the required value for all participants in projects and to manage contracts efficiently. The Company has created a detailed stakeholder risk assessment which is incorporated in its risk register. Stakeholder relations could severely impact the viability and profitability of a project, if not managed appropriately.

## **12.10. Failure to integrate new acquisitions**

Part of the Company's strategy is to make selective investments into renewable energy service providers. Successful integration of these businesses is affected by factors including the ability to integrate these acquisitions and to leverage off the existing human resource capital in the Company.

# **13. OTHER FACTORS WHICH COULD IMPACT THE COMPANY**

## **13.1. Legal and Regulatory Change**

Legal and/or regulatory change may also affect the Company and impose potential limits on the Company's flexibility in implementing its strategy. Any change to legislation governing renewable energy plants and its customers, landlord and tenant or other laws and regulations relating to the areas in which the Company's subsidiary companies operate may have an adverse effect on the Company.

### **13.2. Taxation**

The levels of, and relief from, taxation may change, adversely affecting the financial prospects of the Company and/or the returns to shareholders.

The Group is subject to the tax authorities within the jurisdictions it operates and taxes and tax dispensations accorded to the Group may change over time.

The nature and amount of tax payable is dependent on the availability of relief under tax treaties in a number of jurisdictions and is subject to changes to the tax laws or practices in any other tax jurisdiction affecting the Group. Any change in the terms of tax treaties or any changes in tax law, interpretation or practice could increase the amount of tax payable by the Group and could affect the value of the investments held by the Group or affect its ability to achieve its investment objective and alter the post-tax returns to shareholders. The level of dividends the Company is able to pay could also be adversely affected.

## **14. GOVERNANCE STRUCTURE**

The Company follows a best practice corporate governance framework, based on its specific requirements.

### **14.1. Board of Directors**

The Board of the Company will be responsible for setting the Company's strategy and for overseeing the implementation of the strategy.

Annexure A contains the curriculum vitae of the Board members of the Company and its subsidiaries. Attention is drawn to the significant experience and expertise of the board members in various industries and more particular their experience and knowledge of Africa.

On incorporation, the majority of the directors are resident in Mauritius and the United Kingdom and the Board has ensured that each member has the requisite advisory and management experience and expertise. The Company will at all times uphold corporate governance standards commensurate with international corporate governance best practice.

Following the listing on the SEM, the Board of the Company will create the following Board Committees, constituted with members who have the requisite skills, experience and expertise:-

1. Audit and Risk Committee; and
2. Corporate Governance Committee

The Company will add additional Board Committees to its governance structure as the need arises.

## **14.2. Management and Operational Team**

The executive management structure of the Company comprises the following functions and additional executive management appointments will be considered following the listing on the SEM:

1. Chief Executive Officer – Mr Dave Kruger
2. Chief Operating Officer – Mr Melvyn Antonie

Subsequent to the listing on the SEM, further senior appointments will be concluded to meet the growth needs of the Company.

A key component of the acquisition of SACE's business as set out above will include the integration of a highly qualified and experienced operations team based in South Africa. As and when other similar acquisitions are made by the Company, the operations team will expand to include additional experts joining the Group.

The Board and executive management's skills and careers have provided them with first-hand experience of managing large and complex businesses through wide ranging economic cycles and across varying geographic locations including the Company's targeted geographical jurisdictions.

## **14.3. Key Service Providers**

### **14.3.1. Company Secretary**

It is anticipated that the Board will leverage off existing operations within its duly appointed Company Secretary in Mauritius, Intercontinental Trust Ltd ("ITL") and its associated companies.

ITL is licensed by the Mauritius Financial Services Commission to provide a comprehensive range of financial and fiduciary services to international businesses. Specific administrative functions of the Company shall be carried out by ITL in Mauritius, and they will also act as the company secretary to the Company.

### **14.3.2. SEM Authorised Representative & Sponsor and Mauritian Transaction Advisor**

The Company appointed Perigeum Capital Ltd ("Perigeum Capital") as its Mauritian transaction advisor. Perigeum Capital also acts as the SEM Authorised Representative and Sponsor of the Company. Perigeum Capital holds an Investment Advisor (Corporate Finance Advisory) licence issued by the Mauritius Financial Services Commission.

Perigeum Capital handled the listing application process with the SEM and has been engaged to advise the Company and its directors on compliance with ongoing SEM listing obligations, post its listing on the SEM.

Perigeum Capital also provides ad-hoc corporate finance and investment structuring advice to the Company.

#### **14.3.3. Other Third-Party Service Providers**

In addition, it is envisaged that the Company will outsource a number of functions to specialist third-party service providers. Such service providers may include without limitation: investor relations managers; company administrators; legal counsel; accountants and auditors; and bankers.

In this regard, the Board and Management of the Company will only engage with reputable, internationally-recognised institutions with established track records for the provision of such services.

## **15. SWOT ANALYSIS**

An analysis of the Company's strengths, weaknesses, opportunities and threats is detailed below:

### **15.1. Strengths**

- **The Management Team is an experienced team with a proven track record;**

As indicated, the current management team has a proven track record of delivering key milestones for the Company. They have been involved in a number of businesses in Africa, including the completion of two 5 MW solar voltaic projects in Namibia, design layouts, feasibility studies, overseeing and managing the installations of rooftop solar projects, negotiating with the relevant authorities for permits, licenses, Power Purchase Agreements, securing suitable land, negotiating with the grid supplier for the connection, timetables for construction and total Engineering, Procurement, Constructing (EPC), engaging with technology providers, raising and structuring the finance.

Set out below are details of projects undertaken by the Management team:

- 1) ARCP qualified for the Namibian Independent Power Producer program and successfully developed two projects (two licenses) of a total of 14 licenses issued in Namibia.
- 2) Tana Biomass qualified in Kenya under the Refit program for the **first** biogas project combined with solar as a hybrid solution. Management have been asked by Kenya Power to develop a second similar project in Kenya.
- 3) In South Africa, management is currently negotiating two Power Purchase Agreements ("PPA") for projects developed by SACE.

Management has demonstrated the capability of the Group to deliver success and have been invited to Uganda to develop similar projects for the Ugandan government. Negotiations are underway to secure the land and permit applications have been submitted to the Electricity Regulation Authority.



- **The management team is a highly qualified, technically strong team with a good work ethic;**

The management team is skilled and experienced in Africa as they understand the conditions and challenges of the countries selected by management to operate in.

All decisions and tasks are completed using best business practice and applies strong business ethics in the negotiations and thorough development of projects. The Company complies with all recognised international laws and practices regarding ethical and acceptable good business practice.

- **The Company has a strong and experienced Board and robust governance structure in place;**

The current Board is constituted to effectively oversee the business of the Company. The Board comprises resident and foreign directors. The Board's expertise include; legal, finance and accounting, general business and technical skills. The current Board has extensive negotiation and transaction experience in Africa.

- **The Group is differentiated through its focus on selected renewable energy products and jurisdictions with a local partner in the selected country ;**

The ACES Group business model is to develop, operate and own clean energy projects. This aspect differentiates the Group from many other operators in the selected countries. Other differentiating factors include:

- The Group is a platform for continuous innovation and energy solutions to meet Africa's energy needs;
- The Group is agile – move and action decisions quickly;
- The Group has implemented a Shared-Value Business Model in the countries it operates in;
- The management team has deep knowledge of doing business in Africa and a proven track record of over 10 years delivering energy solutions in Africa; and
- The Group operates in the small to medium energy generation space of 3MW to 50MW per plant.

The ACES Group mitigates risk by carefully selecting a local business partner in the country who is influential and strategically positioned to successfully negotiate with the stakeholders to sell the electricity generated. The business partner holds between 20% and 30% of the equity in the operating company. With a local partner involved, the Group is better positioned and equipped to deal with the application processes and responses.

The Company, through its subsidiary companies, offers a comprehensive solution based on the client's specific needs and the geographical conditions applicable. For example, the ACES Group has developed and proposed a comprehensive hybrid solar and biogas solution for Kenya and Uganda. This solution provides the off-taker

with a constant supply of energy during its peak hour requirements, but at the same time provides baseload energy.

The ACES Group also has the internal capability to complete a due-diligence on a country local partner and selected providers. Once the project has been identified and passes the due-diligence, the Group can complete the feasibility study, negotiate with stakeholders, appoint the contractors and raise the finance, then manage the project through to commercial operating date (“COD”). Because of relationships built with providers over the last 10 years, the processes are ring-fenced and managed in accordance with strict timelines, budgets and quality checks.

## **15.2. Weaknesses**

- Projects of the nature developed by the Group requires substantial amounts of cash in the form of equity and debt. As the Company develops and grows, increasing amounts of finance will be needed. In order to meet this need, the Company obtained a listing of its shares on the Official Market of the SEM and will consider listing on other recognised stock exchanges for the express purpose of raising capital to fund its projects;
- The different legal and tax frameworks in the targeted geographical jurisdictions require specialist expertise. Whilst the Company’s management does have the necessary experience and skills to deal with these challenges, specialists are readily available and accessible and shall be appointed by the Company, should the need arise;
- Although the selected countries have different languages and methods of doing business, which does present challenges, the Company normally selects a country which uses either English or French as its business language and where one or more of the directors have had previous dealings;
- Unnecessary delays in obtaining responses from governments and the authorities often results in projects not meeting the timelines. At times, it may take several years to get documents approved.

## **15.3. Opportunities**

- The African continent needs electricity in order to grow economically and sustain its growing population. Due to poor infrastructure many people do not have access to electricity or water – as indicated, as of mid-2017, 62.5% of the Sub-Saharan African population (over 650 million people) did not have access to energy. Public sector electrification efforts by national governments are intensifying and 60% of newly connected population are in rural areas – rural electrification increased from 16% to 23%.<sup>3</sup> Renewable energy as a source of energy is the most economical and efficient method of providing Africa with electricity;
- The cost of storing renewable energy, particularly energy derived from Solar has reduced significantly in recent years. As Africa has a very good average solar

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<sup>3</sup> Source: World Economic Forum (2018)

irradiation, storage will replace the need for energy derived from carbon related fuels in the very near future;

- The development of such plants with a storage capability in Africa will meet the energy needs of Africa which will promote health and economic growth;
- Renewable energy plants – particularly solar plants can be installed in these areas in a very short time.
- Many African governments are promoting renewable energy projects as a policy.
- The Group is very focused on specific sectors and geographic locations. The Group's main focus is the supply and ownership of renewable energy projects using three areas of expertise; solar, biomass and biogas. Africa is the preferred destination as the demand for electricity is significant and will continue to be for the next decade. As of mid-2017, 62.5% of the Sub-Saharan African population (over 600 million people) did not have access to energy.<sup>4</sup>

The Group first completes a comprehensive due-diligence on the selected country in terms of risk, geographic and economic resources. If the due diligence outcome is positive, the project commences.

Investments are made in hard currency in the selected geographical jurisdictions with low interest rates, strong and stable economies, growing Gross Domestic Product, with stable political environments and investment policies, including attractive hard currency returns.

#### **15.4. Threats**

- Economic slowdown and deflation in the targeted geographical jurisdictions;
- Political unrest;
- Change of country leadership;
- Corruption is a very real problem in Africa. However, the business practice of the Group is to comply with all the recognised international legislation and practices condemning such activity;
- Poor infrastructure does result in the project costs being increased as the developer must pay for the upgrade of the infrastructure. If the upgrade is too expensive, the project must be abandoned because of poor economic returns;
- Sufficient travel time must be allowed for - very high traffic congestion and poor road infrastructure in most areas.

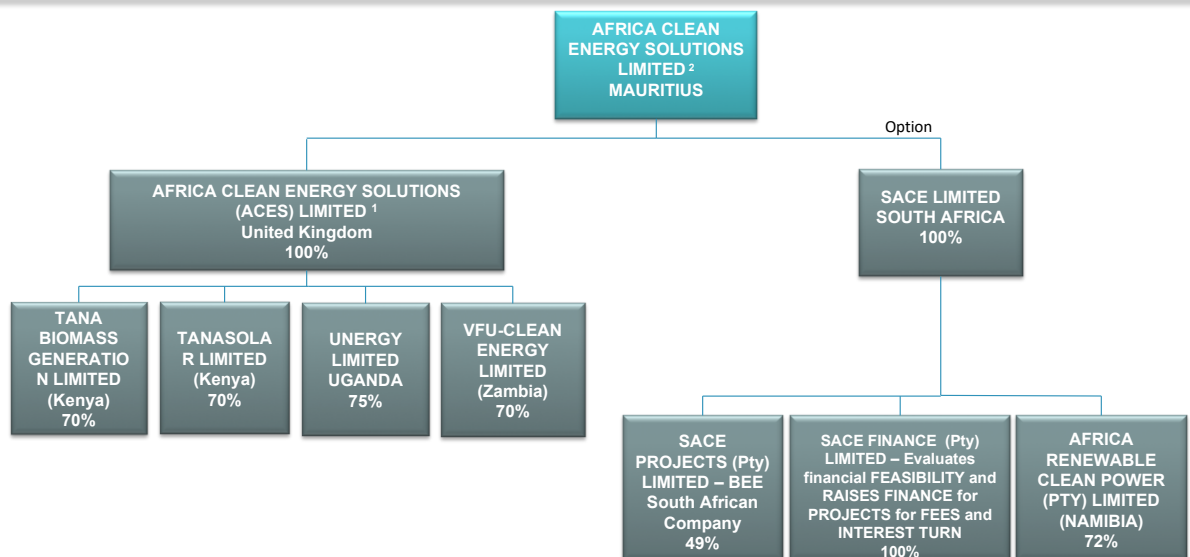
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<sup>4</sup> Source: World Economic Forum (2018)

- Slow response from Governments

## 16. COMPANY STRUCTURE AND ORGANOGRAM

### ACES - CORPORATE STRUCTURE



1. Incorporated in England and Wales under Company Registration number: 10121592.
2. Incorporated in Mauritius – Registration number: 152282 C1/GBL



### NOTES:-

- ACES (UK) is currently 100% held by ACES. ACES (UK) is a purely investment holding company.
- ACES will acquire the entire business of SACE after the SEM listing.
- Tana Biomass is developing two hybrid plants each comprising a 10 MW Solar Projects and a 10 MW Biogas Projects in Kenya.
- Tana Solar is currently dormant but will be used as a Special Purpose Vehicle for future developments.
- Unergy is developing two 20 MW biogas Projects in Uganda.
- VFU-Cell is in the very early stages of either developing or negotiating the establishment of a 15 MW Solar plant in Zambia.
- The policy of the Group is that the gearing ratio at the project company level is 75% of total capital expenditure. This ratio is an internationally accepted gearing ratio. The balance of the funding will be provided as equity by the shareholders. If a minority shareholder is unable to provide equity from own resources, the funders are prepared to provide funding outside of the project

company and rely on the project company cash flow to repay the finance provided.

Full details of each project are set out in Annexure B.

## **17. FINANCIAL INFORMATION AND KEY ASSUMPTIONS**

The Company will be further capitalised and funded post its listing on the SEM.

The financial data is a representation of the expected statement of financial position, statement of comprehensive income and statement of cash flows of the Company for the next six financial years ending 30 June 2019 to 30 June 2024 and is set out below. The base year of 30 June 2018 is used and the key assumptions used are fundamental to the financial data.

The Company is a holding investment and project development company and derives its income from the projects in a number of forms:

- Each project will derive its income from the sale of renewable energy. As a project generates surplus after tax cash flow, the project company will declare a dividend equal to 100% of the surplus;
- As a development company, it is entitled to a development fee from each project, which varies between 4.1% and 9.2% of the total capital expenditure to bring a project to fruition. This development fee is usually payable on financial close of a project;
- In addition to the development fee, ACES is entitled to recover its time spent on the project prior to Financial Close, which varies from one development to another.
- Each project company will enter into a management contract with the Company at an annual fee of between 0.5% to 1% of the capital expenditure; and
- If a local partner is unable to provide its portion of the equity, the Company will loan the equity portion to the local partner, against pledge of its shares in the projects. The loan is assumed to carry an interest rate of 12% per annum and will be paid from the dividends paid to that local partner from the project.

The financial close of a project occur when all the required conditions precedent in a Power Purchase Agreement have been met and the total funding for the project has been secured. Shortly after financial close, does construction of a project commence.

**ACES – FINANCIAL FORECASTS**

Years ending 30 June	2019	2020	2021	2022	2023	2024
<b>SUMMARISED INCOME STATEMENT</b>						
<b>Operating income</b>						
Development Fees	-	11,060,000	4,500,000	-	-	-
Management Fees	-	5,548,267	2,353,250	1,897,283	2,093,166	2,093,166
Dividends	(0)	47,924	1,212,199	3,164,829	3,755,580	3,922,911
Interest	3,110	259,708	737,959	831,148	914,974	1,011,791
	<b>3,110</b>	<b>16,915,898</b>	<b>8,803,407</b>	<b>5,893,261</b>	<b>6,763,720</b>	<b>7,027,868</b>
<b>Group costs</b>						
Salaries	(186,167)	(1,084,980)	(1,131,160)	(1,153,783)	(1,176,858)	(1,200,396)
Other expenses	(98,333)	(414,100)	(422,382)	(430,830)	(439,446)	(448,235)
	<b>(284,500)</b>	<b>(1,499,080)</b>	<b>(1,553,542)</b>	<b>(1,584,612)</b>	<b>(1,616,305)</b>	<b>(1,648,631)</b>
Interest - non core	223	5,788	421	406	718	2,623
<b>Profit (loss) before tax</b>	<b>(281,167)</b>	<b>15,422,606</b>	<b>7,250,287</b>	<b>4,309,054</b>	<b>5,148,134</b>	<b>5,381,860</b>
Tax paid	-	(774,194)	(345,071)	(215,432)	(257,371)	(268,962)
<b>Profit (loss) after tax</b>	<b>(281,167)</b>	<b>14,648,412</b>	<b>6,905,216</b>	<b>4,093,622</b>	<b>4,890,763</b>	<b>5,112,898</b>

**SUMMARISED CASH FLOW STATEMENT**

Years ending 30 June	2019	2020	2021	2022	2023	2024
<b>Cash flow from operations</b>	<b>(281,167)</b>	<b>14,648,412</b>	<b>6,905,216</b>	<b>4,093,622</b>	<b>4,890,763</b>	<b>5,112,898</b>
<b>Investing activities</b>						
Equity	(447,466)	(20,694,867)	(17,159,927)	(2,500,232)	-	-
Shareholder loans:						
<i>Advances</i>	-	-	-	-	-	-
<i>Repayments</i>	-	-	-	-	-	-
PDI loans						
<i>Advances</i>	(123,385)	(4,769,952)	(898,736)	-	-	-
<i>Repayments</i>	(0)	20,539	144,052	168,266	172,588	176,987
<i>Interest accrued</i>	(3,110)	(259,708)	(737,959)	(831,148)	(914,974)	(1,011,791)
<b>Cash flow from investing</b>	<b>(573,960)</b>	<b>(25,703,987)</b>	<b>(18,652,570)</b>	<b>(3,163,114)</b>	<b>(742,386)</b>	<b>(834,805)</b>
<b>Financing activities</b>						
Equity	439,716	13,716,997	10,325,159	1,149,222	-	-
Loans:						
<i>Advances</i>	362,200	5,894,134	4,493,190	625,058	-	-
<i>Interest accrued</i>	5,452	101,220	412,843	616,198	338,604	36,081
<i>Repayments</i>		(3,084,179)	(2,674,550)	(2,242,188)	(3,456,616)	(1,379,011)
Dividends paid		(5,471,365)	(396,444)	(448,438)	(691,323)	(2,823,320)

<b>Cash flow from investing</b>	<b>807,368</b>	<b>11,156,807</b>	<b>12,160,197</b>	<b>(300,147)</b>	<b>(3,809,334)</b>	<b>(4,166,250)</b>
Net movement	(47,759)	101,232	412,843	630,360	339,043	111,844
Opening balance	52,530	3,989	105,221	518,064	1,148,424	1,487,467
<b>Closing balance</b>	<b>4,771</b>	<b>105,221</b>	<b>518,064</b>	<b>1,148,424</b>	<b>1,487,467</b>	<b>1,599,311</b>



<b>SUMMARISED BALANCE SHEET</b>						
<b>Years ending 30 June 2019</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Non - current assets</b>						
Investments in projects	447,466	21,142,332	38,302,259	40,802,491	40,802,491	40,802,491
Loans to PDI's	126,495	5,135,616	6,628,259	7,291,141	8,033,528	8,868,332
Loans to projects	-	-	-	-	-	-
<b>Current assets</b>						
Cash and cash equivalents	4,771	105,221	518,064	1,148,424	1,487,467	1,599,311
<b>TOTAL ASSETS</b>	<b>578,731</b>	<b>26,383,169</b>	<b>45,448,582</b>	<b>49,242,057</b>	<b>50,323,486</b>	<b>51,270,134</b>
<b>Equity</b>						
Shareholders contribution	492,246	14,367,814	24,692,973	25,842,195	25,842,195	25,842,195
Retained earnings	(281,167)	8,784,964	15,293,736	18,938,921	23,138,361	25,427,939
<b>Non- current liabilities</b>						
Loans	367,651	3,230,391	5,461,873	4,460,941	1,342,930	0
<b>Current liabilities</b>						
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>578,731</b>	<b>26,383,169</b>	<b>45,448,582</b>	<b>49,242,057</b>	<b>50,323,486</b>	<b>51,270,134</b>

- 1) \*\*\*\*Note: The US\$40,000 convertible loan stock was converted into ordinary shares in July 2018 and no interest has accrued on the loan stock.
- 2) The share capital comprises no par value shares issued at US\$281,135. The balance of the share capital of US\$31,837 is the equity portion of the US\$40,000 compulsory convertible loan stock that must be converted by not later than 30 June 2021.

## 17.1. Key assumptions

Set out below are the key assumptions in respect of the forecast financial statements of ACES and its subsidiaries.

### 17.1.1. Macro assumptions

- The international economic growth forecasts of the World Bank for the five years ending 30 June 2023 are achieved;
- The US Dollar interest rates do not increase by more than 2.5% over the forecasted period;
- The Consumer Price Index of the US does not drop below 1.5% per annum;
- No international incident occurs which causes the financial markets to deteriorate by more than 15%.

### 17.1.2. Country assumptions

- The international rating agencies do not reduce their ratings of Kenya, Uganda and Zambia below their current ratings;
- These countries remain politically and economically stable, as they currently are, notwithstanding ACES obtaining internationally recognised political and economic insurance cover;
- Mauritius retains its current tax structures;
- The countries in which ACES and / or its subsidiary companies operate continue to allow the repatriation of earnings from the projects in US Dollars;
- The countries in which ACES and / or its subsidiary companies operate continue on a positive economic growth as currently experienced;
- Africa continues to develop its infrastructure and need for renewable energy.

### 17.1.3. General assumptions

➤ The projects that come to fruition during the next three year period are:

- The first Part of the Kenyan Hybrid plant – 10 MW Solar reaches COD April 2020  
*The gross revenue in the first year from the sale of energy is US\$2,0004,000, escalating at 15% of the USA CPIX per annum.*
- The second part of the first Kenyan Hybrid plant – 10 MW Biogas reaches COD in October 2020  
*The gross revenue in the first year from the sale of energy is US\$7,143,000, escalating at the USA CPIX per annum.*
- The first part of the second Kenyan Hybrid plant – 10 MW Solar reaches COD in September 2020  
*The gross revenue in the first year from the sale of energy is US\$2, 000, 000, escalating at 15% of the USA CPIX per annum.*

- The second part of the second Kenyan Hybrid plant – 10 MW Biogas reaches COD in April 2021  
*The gross revenue in the first year from the sale of energy is US\$7143, 000, escalating at the USA CPIX per annum.*
  - The first Uganda – 20 MW biogas reaches COD in December 2020  
*The gross revenue in the first year from the sale of energy is US\$18,873,000, escalating at the USA CPIX per annum.*
  - The second Uganda – 20 MW biogas reaches COD in November 2021  
*The gross revenue in the first year from the sale of energy is US\$18,873,000 escalating at the USA CPIX per annum.*
  - The Zambia – 15 MW solar – in early stages of development
- Any new projects in Mozambique, Ivory Coast or Ghana remain under development during the forecasted period and will only reach COD after June 2023.
- Development costs for any projects in Mozambique, Ivory Coast or Ghana are expended from ACES's own resources without the need to raise additional capital.

#### **17.1.3.1. Income statement assumptions:**

- The income generated in Kenya is based on the tariffs agreed with the Electricity Control Board of Kenya at 7.8 USD cents per kWh for Solar generated power and 9.2 USD cents per kWh for Biogas generated power;
- The tariff of the Solar part of the hybrid plant will escalate at 15% of the official Consumer Price Index of the United States of America, while the Biogas portion will escalate at the United States of America CPIX;
- The income generated in Uganda is based on the official tariffs published by the Electricity Control Board of Uganda at 11.35 USD cents per kWh for Biogas generated power;
- The total net sales of energy of all plants are based on the guaranteed production of energy provided in terms of the EPC Contractor;
- The respective plant in each country is not delayed by more than three months after the forecast commissioning date;
- The underlying investments of ACES produce the free after-tax cash flow as projected;
- The income tax payable (including non-resident tax on dividends) at the project level remains as forecast in the respective countries;
- The depreciation of the plant is fully allowed over the life of the project in each country of operation;
- Each project declares and pays 100% of its after tax cash flow as a dividend to shareholders;
- ACES earns its development fees as set out in the project financial model;
- ACES earns its time spent prior to Financial Close as projected in the financial model;

- ACES receives an ongoing annual management fee from each project, being a percentage ranging between 0.5% and 1% of the project cost.
- 
- The first set of management fees is incurred prior to Commercial Operating Date ("COD") and payable to the manager for the time spent on a project at an hourly rate. Included in this rate is the obligation of the manager to meet all expenses like travelling, environmental impact studies, feasibility studies, grid assessment, topographical fees, legal fees to secure land amongst others. This fee is in fact the risk fee payable and the quantum of the fee depends on the time it takes to bring a project to COD. In Kenya, ACES has been incurring fees from 2016, while in Uganda since mid 2017.

#### **17.1.3.2. Cash flow statement assumptions:**

- ACES has raised the equity portion of each project within 90 days of the need to pay the equity portion of the project;
- The respective plant in each country is not delayed by more than three months after the forecast commissioning date;
- The underlying investments of ACES produce the free after-tax cash flow as projected;
- The income tax payable (including non-resident tax on dividends) at the project level remains as forecast in the respective countries;
- The depreciation of the plant is fully allowed over the life of the project in each country of operation;
- Each project declares and pays 100% of its after-tax cash flow as a dividend to shareholders;
- ACES earns its development fees as set out in the project financial model;
- ACES recovers its time spent on each project prior to Financial Close as set out in the forecast financial model;
- ACES receives a management fee from each project as set out in the forecast financial model;
- ACES pays a dividend annually equal to 35% of profit after tax based on free cash flow.

#### **17.1.3.3. Balance Sheet Assumptions**

- The opening balances used for the forecast period are based on the unaudited management accounts of the Company only (ACES) as at 31 December 2018.
- For purposes of this forecast, it has been assumed that the full US\$80,000 convertible loan stock will be converted into equity at US\$1.00 per share on 30 June 2019. Since 30 June 2018 US\$40,000 of the US\$80,000 has been converted into equity at US\$1.00 per share and no interest is payable on that portion of the loan stock. This assumption is reflected in the forecast shareholders' funds for 2019;
- Not less than 75% of the development fees and development expenses incurred by the ACES Group are converted into equity in the project companies concerned, thereby reducing the need to raise the total equity contribution needed for the project company from shareholders of ACES or selected investors. As the Company has expended funds to develop a project and earned a development fee, these amounts will be

reflected as loans due to the Company by the specific Project Company. The Company can then request payment for the entire amount due on Financial Close or stipulate that 75% of the loans are converted into equity and the balance of the 25% is repaid to the Company for its own cash flow needs;

- The Company is sufficiently capitalised maintain a listing on the Official Market of the SEM;
- Although ACES as a company will not have debt exceeding 25% of shareholder's funds, the debt to equity ratio at project level will be 75%, resulting in a consolidated gearing ratio of 81,25%;
- ACES is able to raise the new equity it needs to invest in each project (through its subsidiary companies), as projected.

## **ANNEXURE A – CURRICULA VITAE OF BOARD MEMBERS**

### **EXECUTIVE DIRECTORS**

#### **Dave Kruger – Chief Executive Officer (CEO)**

Dave joined the Board of SACE on formation in 2007 and became the Chief Executive Officer of the Group in 2011, having previously managed a successful property development company in South Africa. Dave is responsible for the negotiations of the Company's business partners in Africa and together with the African business partners are involved with negotiations with government and mining houses in Namibia, Kenya, Uganda and South Africa for the off-take of the energy from the power plant. Dave is actively involved with fund raising for the Company. With more than 10 years' experience in the renewable energy space, Dave has concluded numerous developments in projects in Africa.

#### **Melvyn Antonie – Chief Operating Officer (COO)**

Melvyn holds a BA LLB (Wits) and is an admitted attorney. He also obtained a Diploma in Banking from the Manchester Business School. He joined the Board on formation of SACE in 2007 as an Executive Director. In 1973 he joined Barclays National Merchant Bank where he became senior general manager, responsible for mergers, acquisitions, listings, bank syndicated positions and project financing. He became a director of Hill Samuel SA in 1986 and was responsible for the Corporate Finance Department. He formed The Janus Corporation as a shareholder and director in 1987 and between 1996 and 1998, as part of a joint venture, was a director of SG Corporate Finance (SA) (Pty) Limited.

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

#### **Gaetan Siew – Chairman of the Board**

Director/partner of Lampotang & Siew Architects Ltd since 1981 in Mauritius. Worked internationally (Mauritius, France, India, Madagascar, Mayotte, Seychelles, Swaziland, Tunisia) on projects such as Airports, Hotels, Commercial and Leisure. Urban planning and heritage projects.

Initially trained as an architect. Throughout his professional career he has learnt that being an architect means to translate the imagination into reality. The same methodology applies to resolve complex problems into concrete solutions. As founding partner of Lampotang & Siew Architects Ltd since 1981 in Mauritius, he worked internationally (Mauritius, France, India,

Madagascar, Mayotte, Seychelles, Swaziland, and Tunisia) on projects such as Airports, Hotels, Commercial and Leisure, Urban planning and Heritage projects.

Past President of the International Union of Architects, he travels the world to make presentations on global issues and globalisation.

Extensive traveller to over a 100 countries and has visited about 250 cities.

**Jim Friedlander** (*Also a Non-Executive Director of ACES (UK)*)

Jim is an international lawyer. After receiving his J.D. from Harvard Law School in 1966, he lived in Malawi for 5 years and Kenya for 8 years. He has worked in 25 countries in Africa, as a World Bank lawyer, as a private banker at Citibank, and as a private lawyer for large and small law firms. Over the years, Jim has been on the board of NMB Bank in Zimbabwe and a Canadian mining company listed on the TSE. Jim has advised Governments in Africa and in Eastern Europe for 33 years on their investment laws as a consultant to the World Bank/IFC. Jim is currently living in London, UK. He is a consultant to the ENS law firm and a partner in a law firm in Moscow, Russia (where he lived for 8 years).

## **NON-EXECUTIVE DIRECTORS**

**Smitha Algoo-Bissoonauth** – *Non-Executive Director*

Ms Bissonauth joined the Corporate Services Department of Intercontinental Trust Limited (“ITL”) in 2006 and she is currently a Senior Manager in the Listing Department.

Prior to her appointment as Manager in the Listing Department, she headed various teams in the Corporate Services Department and has been overseeing the operations division such as incorporation of companies, advising on company structures and regulatory matters and corporate administration of global business companies. She currently sits as director on the boards of several global business companies that are under the administration of ITL.

Ms Bissonauth has been actively participating in various internal projects at ITL including internal staff training. She has also acquired technical skills to manage people, service clients and attends training, workshops and conferences in company secretarial matters in Anti Money Laundering (AML)/Combating the Financing of Terrorism Laws (CFT) laws and leadership. Ms Bissonauth graduated from the University of Mauritius with a B.Sc. (Hons) in Accounting and Finance and is an Associate Member of the Institute of Chartered Secretaries and Administrators, UK since 2013.

She also completed her MBA in Innovation and Leadership with distinction, from the University of Mauritius in partnership Ducere Business School.

**Toorisha Nakey-Kurnauth** – *Non-Executive Director*

Toorisha joined ITL in the year 2008 and is currently Manager in the Listing Division of ITL. She oversees the operation of the listing team and advises clients on incorporation of companies, compliance with ongoing obligations in relation to regulatory matters and is the direct point of contact for clients.

She also worked in the Fund administration department for five years where she gained extensive experience by administering fund structures. She advised clients on the fund structures, reviewed fund documents and was also involved in fund accounting.

Over the years Toorisha has gained experience to manage people and to service clients. She has attended several seminars, conferences and workshops in relation to leadership, presentation skills, company secretarial matters and compliance with ongoing SEM obligations.

Toorisha graduated from the University of Mauritius with a B.Sc. (Hons) in Finance with Law and is currently undertaking the final papers for the Association of Chartered Certified Accountants (ACCA).

## **DIRECTORS OF SUBSIDIARY COMPANIES**

### **Ashley Ally - Non-Executive Director of ACES (UK)**

Ashley has qualifications in Electrical Engineering, Town and Regional Planning as well as Business and Public Administration. Ashley is the Chief Executive Officer of Izingwe Holdings (Pty) Ltd; an investment company specializing in infrastructure development, industrial and mining services. He serves on the Board of Directors for both listed and unlisted companies and has investments in Anglo Gold Ashanti, Powertech IST, Nedbank, Old Mutual, Aberdare Cables, Onelogix, Scaw Metals as well as CBI Electric.

### **Paul Norman - Non-Executive Director of ACES (UK)**

Paul joined the Board in November 2015 as a Non-Executive Director. He has been an executive at MTN since 1997. He is a member of the Group Exco and has played a key role in MTN's evolution from a single country business to a global business with a footprint in 22 countries. Paul has a Master's degree in Psychology from Rhodes University and also graduated from IMD in Switzerland with an MBA. He is a qualified Psychologist and before moving into Industry, he ran his own private practise. As an HR professional Paul has positioned MTN as an employer of choice across all its markets. In 2003 Paul was also awarded HR Practitioner of the Year by the Institute for People Management (IPM). In 2012 he was recognised by the South African Board for People Practices (SABPP), with the Life Time Achievement Award. According to SABPP, the award was in acknowledgment of his great contribution to the advancement of the Human Resources profession, not only in South Africa, but across MTN's 22 countries of operation. He serves as a director on several of MTN's Subsidiary Boards. He has also established various entrepreneurial ventures in the food, motor and alternative energy sectors.

### **Dr Jacky Rampedi - Non-Executive Director of ACES (UK)**

Dr Rampedi (MBCHB) is a graduate of Natal Medical School. He joined the Board of SACE in October 2010 as a Non-Executive Director. He is an entrepreneur, starting private practice more than 15 years' ago and developing it into four fully operational primary healthcare clinics. In addition, he has created emergency services which are contracted to Netcare 911 and services the greater Northern Pretoria. He has extensive community involvement and, inter



alia, founded PEPCO, Winterveld Aids Awareness Campaign, BMR Football Club. In 2003, Dr Rampedi launched an initiative to establish and integrated black owned Healthcare group, providing an opportunity to acquire skills and participate in main stream economy. His achievements have demonstrated his strength of business acumen and abilities as an entrepreneur, all of which he brings to SACE as a member of the Board of Directors.

**Tim Wood** - *Non-Executive Director of ACES (UK)*

Tim spent most of his career in the Citi banking group in 12 different countries in their commercial and investment banking sectors. Most recently he was the managing director of a multimillion private equity fund for sub-Saharan Africa. He joined the Board in July 2014 as a non-executive director. His role in SACE is primarily in finance and along with Melvyn is responsible for raising funding for projects.

## **LOCAL PROJECT DIRECTORS**

**Robert W. Muchiri** - *Executive Director TANA Biomass and TANA Solar KENYA*

Robert is a Kenyan agronomist with a wealth of technical skills, management experience and a track record of successful business ventures in Kenya. His local knowledge and access in this jurisdiction makes him an invaluable and integral part of the team.

**Charles Mbire** - *Executive Director UNERGY UGANDA*

Charles is an Economist with a Degree from the University of Essex and an MBA from Leicester University, UK. He is one of the founding shareholders and Chairman of MTN Uganda Ltd, the largest telecommunications company in Uganda and the biggest tax payer in that country. He is the director of Eskom Uganda Limited, a subsidiary of Eskom South Africa and the Chairman and CEO of Invesco Uganda Limited. Mr. Mbire is an investor and director of Rift Valley Railways (Kenya & Uganda) Ltd, Railway Concessionaire Uganda/Kenya and is the Chairman of the Board of Directors, Uganda Securities Exchange (stock exchange). He has of late invested in oil exploration, oil services, energy and cement production. In 2010, he was appointed a member of the Uganda Presidential Investment Round Table and in 2011 was appointed to the International Monetary Fund (IMF), as a member of the Regional Advisory Group for Africa.

**Gertrude Mwangala Akapelwa** – *ZAMBIA*

Gertrude is the founder, Vice Chancellor of the Victoria Falls University of Technology (VFU). She serves as a Non-Executive Director of Zambia Railways Limited and is also a member of the Finance and Administration Committee in the Company. She has served as the Chairperson of the Zambia Information and Communication Technology Authority Board and has served as Non-Executive Director of Zambia National Commercial Bank PLC. Her career extends over 45 years in the Information Technology, Banking and Education sectors. She is also the founder of the SPV and the originator of the renewable energy project.

## **ANNEXURE B – CURRENT LIST OF INVESTMENT PROJECTS**

The Company, through its subsidiary companies, is involved in a number of projects in Kenya, Uganda and Zambia and are investigating opportunities in Mozambique, Ivory Coast and Ghana.

Set out below is a complete list of projects the Company and SACE are either working on or completed. These projects are set out as active projects. Although the projects described below include those developed by SACE in South Africa and Namibia, they demonstrate the capability of the Company's management to complete projects on the African continent.

“COD” means commercial operating date, i.e. when the plant has been installed, tested, approved by the authorities and producing energy in terms of the specifications.

<b>Country and Location of Project</b>	<b>Type of Renewable</b>	<b>Net MW Size</b>	<b>Estimated Cost of project (US\$'Ms)</b>	<b>Percentage Holding of Project</b>	<b>Selling Price per kWh</b>	<b>Group Investment Value (US\$'Ms)</b>	<b>Net Present Value @ 12%</b>	<b>IRR to ACES</b>	<b>Status</b>
<b>SOUTH AFRICA ACTIVE SACE PROJECTS</b>									
Hazyview	Biomass/Biogas (Active)	4,2 MW	US\$10.7	49%	7.85 US cents (denominated in ZAR) escalating at RSA CPIX	US\$1.3	US\$2.7	13.7%	This project is being re-investigated due to the increased Capex.
Port Elizabeth	Solar (Active)	3MW	US\$5,1	49%	7.85 US cents (denominated	US\$0.62	US\$0.9	30,2%	Power Purchase Agreements being finalized

					in ZAR) escalating at RSA CPIX				
Stilfontein	Biogas for Mine	7 MW		60%					Project under development
<b>NAMIBIA ACTIVE</b>									
<b>SACE PROJECTS</b>									
<b>NAMPOWER OKATOPE</b>	Solar (Active)	5 MW	US\$9.3	10,2%	9,79 US cents per kWh (denominated in N\$)escalating at Namibia CPIX	US\$0.34	US\$2.2	15.6%	Finalised - commenced building plant in January 2018 and COD June 2019
<b>NAMPOWER OKATOPE</b>	Solar (Active)	5 MW	US\$9.3	10,2%	9,79 US cents per kWh (denominated in N\$) escalating at Namibia CPIX	US\$0.34	US\$2,2	15.6%	Finalised – commenced building plant in January 2018 and COD June 2019
<b>NARAS FISHERIES WALVIS BAY</b>	Solar For Cold Store (completed)	375 KW installation for customer	US\$ 0.5	0%	N/A				Completed in 2016 Active producing energy
<b>KENYA ACTIVE</b>									

<b>ACES PROJECTS</b>									
KPLC	Hybrid comprising Solar and Biogas (active)	10 MW Solar and 10 MW Biogas	US\$46.4	70%	Average of 8.84 US cents escalation to be agreed	US\$11.4	US\$6,04	44.7%	Financial close July 2019 and first COD April 2020 and final COD November 2020
	Hybrid comprising Solar and Biogas (active)	10 MW Solar and 10 MW Biogas	US\$46.4	70%	8.84 US cents escalation to be agreed	US\$11.4	US\$5,7	44.3%	Financial close January 2020 and first COD November 2020 and final COD May 2021
<b>UGANDA ACTIVE ACES PROJECTS</b>									
UETCL	Biogas (active)	20 MW Biogas	US\$58,7	75%	11.35 US cents escalation to be agreed	US\$11.2	US\$5,9	44.4%	Financial close September 2019 and COD January 2021
	Biogas (active)	20 MW Biogas	US\$58,7	75%	11.35 US Cents escalation to be agreed	US\$11.2	US\$9,3	44,4%	Financial close September 2020 and COD November 2021
<b>ZAMBIA ACTIVE ACES PROJECTS</b>									

ZESCO - Government of Zambia	Solar (active)	13,5 MW Solar	N/A	70%	Early Stage development	N/A	N/A	N/A	Early Development Stages
<b>MOZAMBIQUE</b>  <b>ACES PROJECTS</b>	Solar	25 MW	N/A	N/A	12 US cents escalation to be agreed	N/A	N/A	N/A	Under preliminary investigation

### Sensitivity analysis

The major inputs that affect the IRR's of each project are:

- 1) The capital expenditure;
- 2) The particular tariffs payable for the energy;
- 3) The escalation factor used to determined annual increases
- 4) The interest rate payable on the debt; and
- 5) In the case of the Biogas plants the input cost of raw material.
- 6) The guaranteed energy output of each plant as provided by the EPC & O&M contractor

In each case management has tested the sensitivities of each of the inputs

- 1) Regarding the capital expenditure ACES has obtained three quotations for each installation and the guaranteed output thereof. These major difference between the costs of installation is minimal but the output varies. A 10% variance on both costing and output on either side of the basic quotation is the test;
- 2) The tariffs and escalations are determined either by official policy of the Government concerned or as agreed in writing with the relevant authorities and Power Purchase contracts.
- 3) The interest rate is determine by quotation received and a percentage variance of 10% is then tested;
- 4) The raw material cost for the Biogas plants are fixed in terms of a contract but once again a 10% variance is applied to test the sensitivities.
- 5) In general all models are tested vigourly to determine the maximum input costs and minimum revenue costs to determine the minimum IRR acceptable to ACES regarding any projects.

## **ANNEXURE C – MARKET RESEARCH**

### **Market research**

Much of solar development to date has been driven by world standards. However, mandate-driven procurement has been eclipsed by voluntary procurement due to plummeting equipment prices in recent years. This trend is likely to grow as solar energy increasingly undercuts other energy resources. The eventual cost of energy (LCOE) for a solar plant LCOE has fallen 85 percent over this period.

Solar has been regularly undercutting coal and nuclear energy in wholesale markets. In this environment, not only has most energy procurement become voluntary, but renewables are also expanding rapidly into Africa. For new generation build, the LCOE of solar photovoltaic plants is currently below coal-fired plants and projected to undercut a typical combined-cycle gas turbine in the next five years. One big caveat is that solar is not considered dispatchable energy sources, like gas, coal, and nuclear plants, since energy production is intermittent. However, significant advances in energy storage and grid modernisation are helping to address some of the issues, as will be discussed below.

*Source:*

*Endnote - Marlene Motyka US and Global Renewable Energy Leader Deloitte Transactions and Business Analytics LLP*

### **Three emerging trends are likely to bolster renewable growth in the longer term**

Some longer-term trends are bringing new sources of demand for renewables. Three of these are:

- Utilities' increasing commitment to decarbonisation;
- Burgeoning renewables deployment in emerging markets; and
- Sharpening focus on resilience, especially in response to increasingly severe weather events.

A growing number of electric utilities are announcing plans to actively support decarbonisation of large sectors of the economy by electrifying them and powering them through zero carbon energy sources such as solar, biogas and biomass. The sectors targeted for electrification and carbon reduction usually include power as well as transportation (through electric cars, trucks, buses, ports, etc.), and may also include heating and cooling, the building sector, and industrial processes. Utilities are motivated by the prospect of driving electricity demand growth, while also responding to customer and shareholder preferences for environmental stewardship. In

addition, some utilities had already planned their paths toward decarbonisation when developing strategies to comply with the Clean Power Plan.

Decarbonisation and declining prices also appear to be boosting demand for renewables in many areas of the world—both in developed countries across Europe and Asia, and increasingly in emerging markets. In many developing countries, electricity demand is expanding rapidly with population growth and rising household consumption. It may not be cost-effective for utilities or governments to expand electric grids to remote rural areas, so some countries are turning to off-grid energy systems based on wind, solar, small hydro, or biogas/biomass to provide electricity more affordably and sustainably.

As wind and solar costs fall to unprecedented lows in countries such as Chile, India, and the United Arab Emirates, and renewables become the cheapest form of new power generation in key markets, governments are boosting deployment. In fact, with China in the lead, emerging economies are expected to overtake developed countries in installed wind and solar capacity in the near future.

Finally, due to increasingly severe weather events— such as droughts in hydro strong African countries— many households, businesses, governments, and communities are looking more closely at systems built around renewable energy. Solar panels, battery storage, micro grids, and other distributed energy resources are often seen to add resilience. This is likely because while not immune to storm damage, they're decentralised, some can be islanded and run off-grid when necessary, and they're expected to come back online more rapidly.

*Source:*

*Endnote - Marlene Motyka US and Global Renewable Energy Leader Deloitte Transactions and Business Analytics LLP*

### **Advanced technologies are transforming renewables from a grid integration challenge into a solution.**

While sources of demand for renewables continue to expand and diversify, technological advances are paving the way for increased deployment by easing renewable integration into the grid. Two areas of rapid progress are energy storage and digitalisation. First, storage; solar has become more viable as a replacement for traditional fuel sources when paired with storage capacity. And the cost of battery modules (Lithium and Utility Vanadium) has declined more than 70 percent since 2012, driving sharply increasing energy storage deployment in many countries. According to IHS Markit, residential solar and electric battery storage could become

cost competitive with grid electricity by 2020. At the same time, digitalisation is enabling smoother renewable energy integration by adding flexibility to the grid. Renewable plant owners and operators are using advanced analytics, cloud technology, robotics, and artificial intelligence (AI) to improve the value and reliability of renewable energy assets. Solar farms can increasingly enhance output by computing and performing analytics at the grid edge. The NCAR is working on learning software for solar forecasting using that of wind farms and wind forecasts. Blockchain is another digital innovation that is already helping integrate renewable energy on the grid. The first pilot project in Europe using a networked fleet of home energy storage systems and blockchain technology recently began operating. The regional transmission system operator and storage provider are using an intelligent blockchain-enabled platform to absorb excess output from wind plants in northern Germany into a networked pool of battery storage systems, and then discharge this energy when and where required. This solution reduces transmission bottlenecks, limits the need to curtail wind output, and helps decrease fossil fuel-fired generation, while also compensating home storage system participants with free electricity. Through technologies like analytics, AI, and blockchain, digitalisation could not only make it easier to integrate renewables into the grid, but can also help markets derive value from distributed renewables and begin compensating owners for providing services to the grid. So instead of being viewed as intermittent resources that can disrupt the grid, solar may soon be seen as potential solutions.

*Source:*

*Endnote - Marlene Motyka US and Global Renewable Energy Leader Deloitte Transactions and Business Analytics LLP*

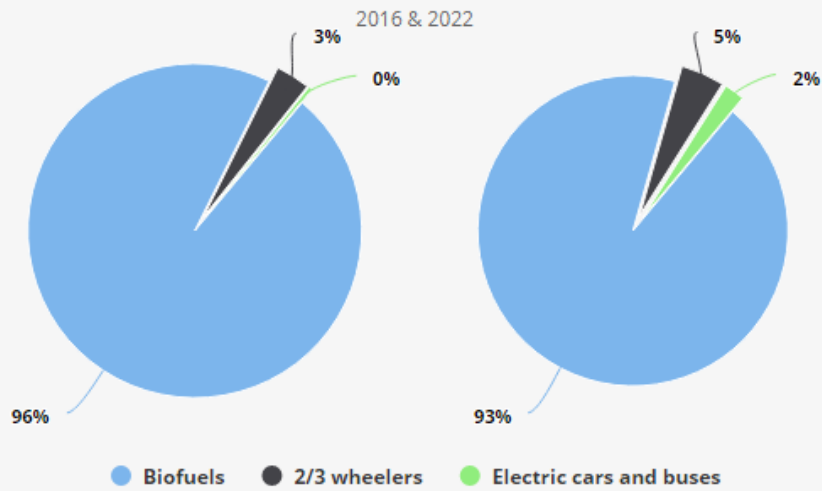
## **Renewable transport and heat**

### **Surging EVs to complement biofuels in renewable transport**

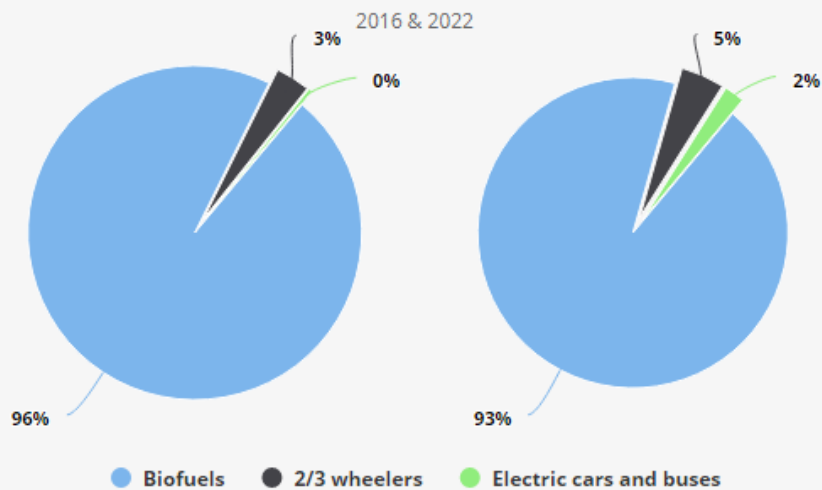
The share of renewables in road transport is expected to increase only marginally, from over 4% in 2016 to 4.5% in 2022. Despite strongly rising sales, the share of EVs remains limited, and biofuels are still expected to represent over 90% of total renewable energy consumption in road transport by 2022. Biofuels production is expected to grow by over 16% during over the forecast period.



### Biofuels and EVs contribution to renewable energy consumption in road transport



### Biofuels and EVs contribution to renewable energy consumption in road transport



Endnote -  [International Energy Agency](https://www.iea.org/)

#### Renewable heat grows by a quarter.

Heat used for water and space heating in buildings and for industrial processes represents almost 40% of global energy-related CO<sub>2</sub> emissions; therefore, decarbonising heat remains an important challenge. The share of renewables in heat consumption increases slowly, from 9% in 2015 to almost 11% in 2022.

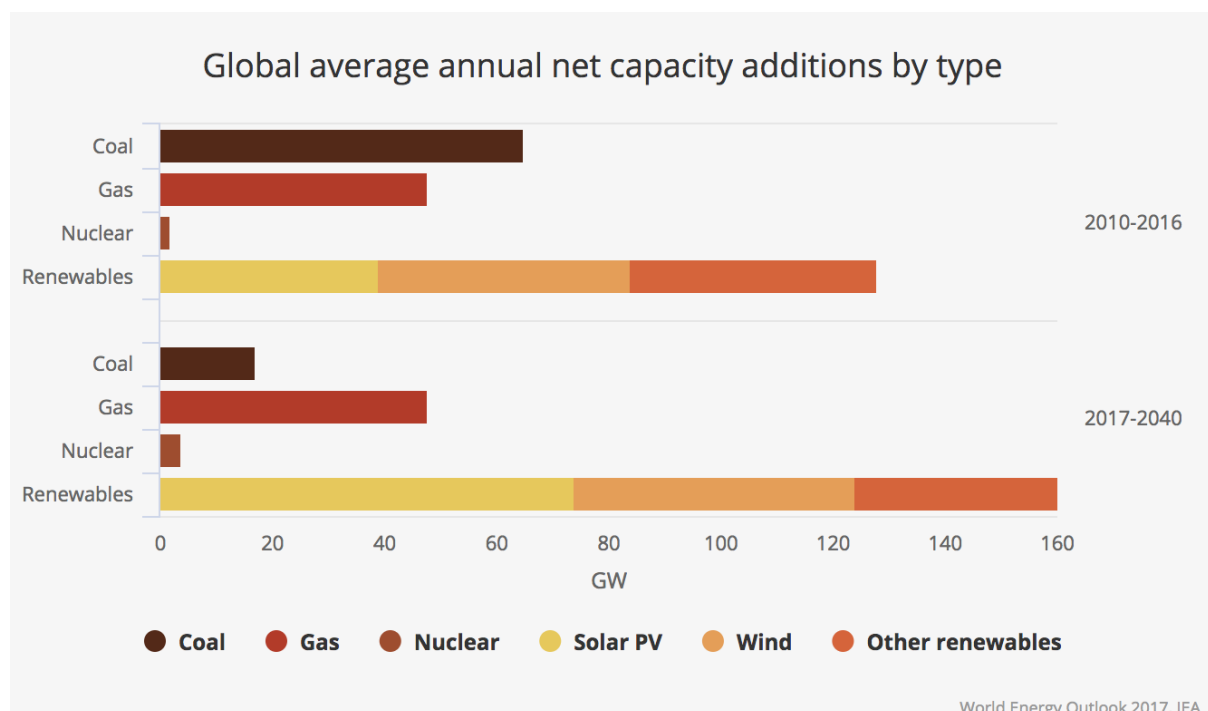
The building sector is expected to lead the growth in renewable heat consumption, with the fastest growth in this sector seen in China, the European Union and North America. In industry, China and India see a significant growth in renewable heat consumption.

In terms of sources, bioenergy will lead renewable heat consumption growth over the outlook period, followed by renewable electricity for heat. Global solar thermal energy consumption is also expected to increase by over a third, although growth is forecast to be slower than in previous years.

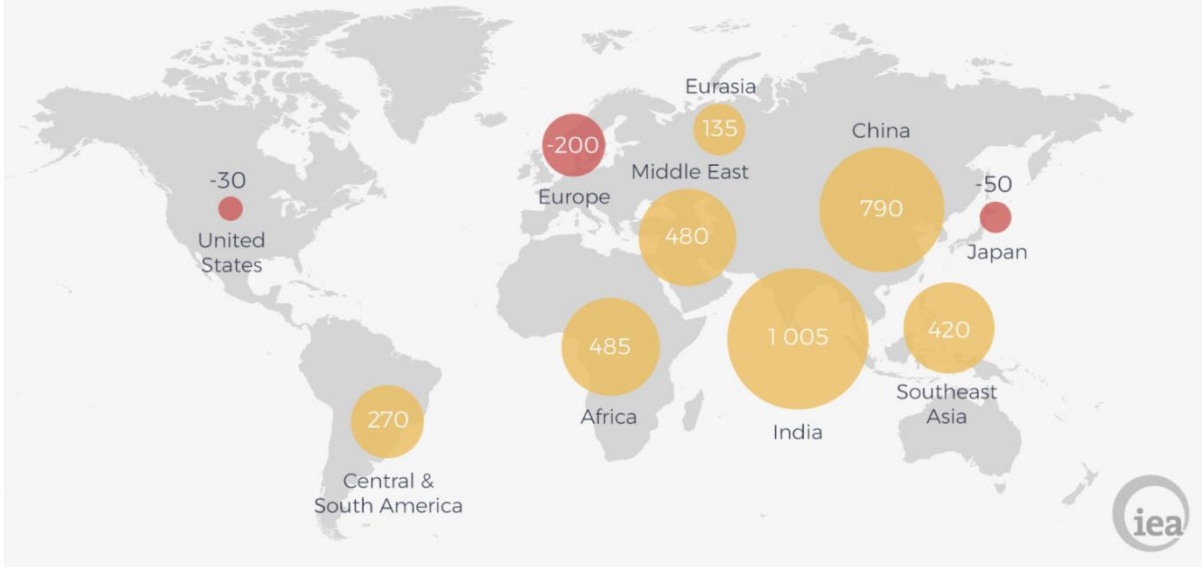
China alone provides over a third of overall renewable heat growth over the outlook period, driven by strengthened targets for solar thermal, bioenergy and geothermal as well as by increasing concerns over air pollution in cities. The European Union is the second-largest growth market as a result of the binding targets of the Renewable Energy Directive, and it remains the global leader in terms of absolute renewable heat consumption.

Source:

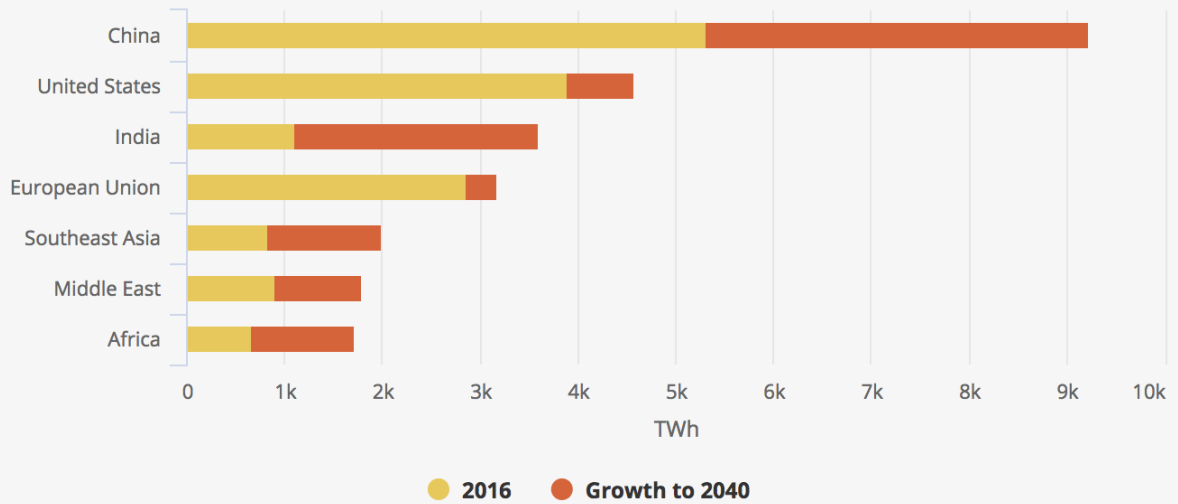
Endnote -  [International Energy Agency](http://www.iea.org)



Change in primary energy demand, 2016-40 (Mtoe)  
World Energy Outlook 2017



Electricity demand by selected region



World Energy Outlook 2017, IEA

## **ANNEXURE D – CONVERTIBLE LOAN STOCK**

### **Rights, privileges and conditions attached to the irredeemable convertible loan stock (“loan stock”)**

The loan stock units shall have the following special rights and be subject to the following special conditions –

1. each of the loan stock unit shall be issued at USD 0.05 cents each;
2. confer the right to receive interest from the Company at a rate of the Three -month Libor plus 5% per annum calculated on the issue price of the loan stock;
3. the interest shall be payable in cash;
4. the interest shall be due and payable in arrears on 30 June and 31 December of each year. The first interest payment shall be in respect of the initial period from the date of allotment and issue to 30 June 2019, calculated on a *pro rata* basis, and thereafter in respect of the six-month periods ending on 31 December and 30 June;
5. the loan stock shall confer the right on a winding up of the Company to receive any arrears in the interest and the return of the capital based on the subscription price of the loan stock to the holders of the loan stock on the same basis as any other unsecured creditor and in priority to the holders of any class of shares in the Company;
6. subject to the approval of the SEM, the loan stock may be converted by the holders thereof giving seven days written notice to the Company, but shall be automatically converted into ordinary shares of the Company (credited as fully paid) on 30 June 2021 in terms of the following formula:
  - Up to 30 June 2019 at a price of USD1.00 per ordinary share in the Company;
  - On 30 June 2020 at a price of USD1.80 per ordinary share in the Company;
  - On 30 June 2021 at a price of USD2.40 per ordinary share in the Company;

upon conversion the Company shall issue to the holders of the loan stock free of charge a new certificate in respect of the relevant number of ordinary shares in the Company;

7. In the event that the Company is acquired by a company listed on any recognised Stock Exchange then the Company undertakes that the Acquiror will acquire any remaining loan stock units in exchange for loan stock units in the Acquiror on the same terms and conditions as the loan stock created by the special resolution.
8. the ordinary share arising pursuant to the conversion shall, from the date of conversion thereof rank *pari passu* in all respects with the then existing ordinary shares of the Company, and shall entitle the holder thereof to any dividends declared in respect of any period commencing after the date of conversion, whether or not such dividends are declared wholly or in part in respect of any period prior to the conversion date.
9. if the Company should, prior to the conversion date, issue any shares, other securities or benefits by way of rights to its existing ordinary shareholders or ordinary shares, the Company shall offer the same rights to the holders of the loan stock on the basis which would have applied had conversion already taken place;
10. if the Company should, prior to the conversion date, make a capitalisation issue (excluding any issue of shares in lieu of dividends), the Company shall ensure that the issue shall be made only in the form of ordinary shares, in which event the number of ordinary shares which a loan stockholder shall receive in respect of the conversion after such capitalisation issue, shall be adjusted in the same proportion (ignoring fractions on the aggregation of a loan stockholder's entitlement) as the proportion which the number of issued ordinary shares of the Company before the capitalisation issue bears with the number of issued ordinary shares of the Company after that capitalisation issue;
11. if the Company should, before the conversion of the loan stock, consolidate or subdivide its ordinary share, the number of ordinary shares which a loan stockholder shall receive in respect of the conversion after the consolidation or subdivision shall be adjusted in proportion to that consolidation or subdivision;
12. any adjustment required in terms of sub-article 10 or 11 above shall be determined by the Company's auditors, acting as experts, whose decisions shall be final and binding on the Company and all its ordinary and loan stockholders;
13. the holders of the loan stock shall be entitled to receive notice of and be present at any general meeting of shareholders of the Company but not to vote in person or by proxy in respect of the loan stock, unless –
  - a. at the date of that meeting interest is due in terms of sub-article 2 or any part thereof, remains in arrears and unpaid for 6 (six) months from the due date on which that interest has accrued; or
  - b. a resolution is proposed at that meeting –
    - (A) which directly affects any of the rights attached to the loan stock or the interests of the holders thereof (the rights and privileges attaching to the loan stock shall not be regarded as being directly or adversely affected by the creation and issue by the Company of any further shares of any class, unless those new shares rank as regards participation in assets or profits of the Company in all or some respects in priority to or *pari passu* with the loan stock);

- (B) for the winding up of the Company or for the reduction of its share capital and/or share premium;
- (C) for the disposal of the whole or substantially the whole of the undertaking of the Company.
- (D) At every meeting of the holders of the loan stock, the provision of these articles relating to general meetings of ordinary members shall apply *mutatis mutandis*, except that a quorum at any such general meeting shall be any person or persons holding or representing by proxy at least 75% of the loan stock, provided if that at any adjournment of such meeting a quorum is not so present, the provisions of the articles relating to adjourned general meetings shall apply *mutatis mutandis*. At every general meeting of the Company at which the holders of the loan stock as well as other classes of shares are present and entitled to vote, upon a poll the holder of the loan stock shall be entitled to that proportion of the total votes in the Company

14. at every general meeting of shareholders of the Company at which the holders of the loan stock as well as other classes of shares are present and entitled to vote, the holders of the loan stock shall, have –

14.1 if present in person, one vote on a show of hands;

14.2 upon a poll be entitled to that proportion of the total votes in the Company which aggregate amount of the nominal value of the loan stock held by it bears to the aggregate amount of the nominal value of all the shares entitled to be voted at such a meeting;

15. the terms of the loan stock may not be modified, altered, varied added to or abrogated without:

15.1 the prior written consent of each of the holders of the loan stock; or

15.2 the prior approval of a resolution passed at a separate class meeting of the holders of the loan stock in the same manner *mutatis mutandis* as a special resolution.