

# ANNUAL REPORT 2020



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## OUR MISSION

The Group develops, owns and operates clean energy power plants throughout Africa.

We strive to become a significant independent provider of clean energy; and at the same time make a positive impact on people's lives.

In pursuance of our mission, we endeavour to create a cleaner environment, while offering a sustainable return to our investors.

## CHAIRMAN'S MESSAGE

Africa Clean Energy Solutions Limited ("the Company" or "ACES" or "the Group") has successfully completed its second full year of operation. Whilst the Group continues with its strategy of developing, owning, and operating renewable energy projects in Africa, the last six months of the financial year has been tough and challenging due to the impact of the Covid-19 pandemic. The world has been taken by storm by this unforeseen challenge that goes well beyond the health sector, and continues to unravel in varying jurisdictions, key to international and financial trade.

With restrictions on work and travel globally, we found ourselves having to think outside the box for solutions in order to continue with our operations. Like so many other businesses around the globe, we are actively ensuring that we remained financially and operationally strong for the future stability of the business, while securing our staff's employment and their well-being.

### **Group Strategy**

Despite the challenges that Covid-19 has brought, the Group continues to implement its strategy to develop, construct and own renewable projects of between 5 MW to 50 MW throughout Africa.

Although the existing projects, specifically those in Kenya and Uganda, have been delayed further by the impact of Covid-19, the Group has continued to investigate acquisition possibilities in the renewable energy sector in Africa.

As part of our continued commitment to safeguarding our investors, we are ensuring that all potential projects undergo investigation and meet the investment risk policies of the Group. As such, appropriate due

diligence is underway for selected prospects, and no emphasis should be placed on their success, until this stage is cleared.

These opportunities expand the horizon of the Company, where the scope of technologies have increased from solar, biomass and biogas to include hydro and wind projects. These opportunities further provide an exciting development for the Group, as it contributes to our long-term strategy of achieving 500 MW of renewable energy projects by 2025.

### **Outlook of the Group**

With the successful acquisition of the business of South Africa Clean Energy Solutions Limited at 31 May 2020, we are pleased to bring into the Group, Africa Renewable Clean Power (Pty) Limited (“ARCP”) and SACE Projects (Pty) Limited (“SACE Projects”).

As previously mentioned, the delays of the projects in Kenya and Uganda will have an impact on the projected profitability of the Group for 2021. But with the newly acquired companies, additional development of potential acquisitions, in addition to new diversified activities, such as super capacitors and hydrogen technology, which my colleague Dave Kruger has set out in detail below, the Groups outlook for 2021 remains positive and strong.

### **Acknowledgements**

I would like to thank my fellow Board members, our investors, and stakeholders for their continued support during the year.

A handwritten signature in blue ink, appearing to read 'Gaetan Siew', is positioned above the name and title.

**Gaetan Siew**  
**Chairman**

# CHIEF EXECUTIVE OFFICER'S REPORT AND BUSINESS OVERVIEW

## **Different times, interesting uncharted challenges**

I have pleasure in presenting to you the Group Annual Report for the year ended 30 June 2020.

## **The history**

ACES has been operating on the African continent since 2007 through its associate and subsidiary companies. ACES boasts a track record as an Independent Power Producer, dedicated to providing high quality proven technology projects and services that deliver clean energy to Africa, while generating cashflow.

ACES listed on the Official Market of the Stock Exchange of Mauritius Ltd on 31 May 2019.

The Group embarked on an operating strategy to develop, finance, build and own clean energy projects in Africa.

## **This year**

Although projects in Kenya and Uganda have not yet reached financial close due to the delay caused by Covid-19, progress is underway to achieve this goal.

## **Tana Biomass Generation Limited ("Tana") – Kenya:**

- Kenya Power and Light Company ("KPLC") and Tana have agreed on the content of the Power Purchase Agreement ("PPA") however a date still needs to be confirmed for the signature. Due to the travel restriction no date has been allocated;
- In terms of Kenyan law, the land lease must be registered and zoned as industrial land as Non-Kenyan citizens are not permitted to own or lease agricultural land. This process will continue as soon as the PPA is finalized;
- The license for the Environmental Impact Assessment ("EIA") is underway. The grid study, and topographical study have been completed;
- Application will be made for the appropriate generating license soon after the signing of the PPA;
- Feed stock for the biogas plant will be Napier grass and sweet sorghum, which have been tested for suitability and are currently being grown to meet the needs of the biogas plant;
- Final engineering, procurement and construction quotes will have to be obtained again as the delay due to Covid-19 has caused the expiry of the current contracts; and
- Final funding (debt and equity) will be applied for following the signature of the PPA.

### **Unergy Limited (“Unergy”) - Uganda:**

- Uganda Electricity Transmission Company Limited (“UETCL”) has granted and issued a permit to Unergy to commence with a feasibility study for the 20 MW biogas project;
- Unergy has commenced with the feasibility study, selected the technology, type of feedstock, and prepared the financial model. The project is bankable and demonstrated a return that meets the Group investment and risk policy requirements;
- Once the feasibility study is complete, Unergy will progress to the signature of a PPA;
- Due to Covid-19 travel restrictions, planting and harvesting of the first batch of Napier grass for testing was not possible. The aim is now to plant and harvest in the first half of 2021.

Through the acquisition of the business of South Africa Clean Energy Solutions Limited (“SACE”), ACES now has investment in the following:

### **SACE Projects (PTY) Limited (“SACE Projects”) – South Africa**

- ACES holds a 49.9% shareholding in SACE Projects;
- SACE Projects are in discussions regarding the Power Purchase Agreement (“PPA”) for the 2.4 MW solar plant in Uitenhage, and for the selection of technology for the 4.2 MW biomass project in Mpumalanga;
- Application for a generating license will be re-submitted for the two projects soon after the signing of the PPA;
- SACE Projects has a financial debt term sheet for the solar plant;

### **Africa Renewable Clean Power Limited (“ARCP”) – Namibia**

- ACES holds a 72% shareholding in ARCP;
- ARCP holds 15% in two 5 MW Solar plants in Namibia;
- The plants are completely constructed and operational, energy is being supplied to Nampower;
- The Internal Rate of Return of these two plants to ACES is 24.3%, which is well above the norm in the market.

The acquisition of SACE was concluded on 31 May 2020, following approval of the transaction by the SEM. As consideration and in exchange for the acquisition of the total assets and liabilities of SACE, ACES issued 2,000,000 new ordinary shares valued at USD 1.00 each (which was the prevailing market price per share at the time of the transaction).

The transaction was deemed to be a ‘related party transaction’ pursuant to Chapter 13 of the SEM Listing Rules due to ACES and SACE having common directors. The transaction was accordingly approved by both shareholders of ACES and SACE, and the approval of the Listing Executive Committee of the SEM was also obtained to proceed with the completion of the transaction. Furthermore, the Exchange Control Authorities of the South African Reserve Bank granted authority to ACES to acquire the assets and liabilities of SACE.

Following the completion of the acquisition, SACE is now as a standalone company with investments in ACES. Although ACES and SACE are currently separate companies, they have common shareholders and directors.

The last couple months of the financial year were vastly different to what we had planned to achieve for 2020. At the beginning of March progression on the existing projects was delayed due to Global lockdown and the Covid-19 pandemic.

The impact of Covid-19 has also seen cancellations of confirmed travel arrangements to meet with potential investors in our fund-raising efforts. The need to raise funds to meet future equity and to develop projects remains.

To maintain adequate levels of working capital the Board decided to diversify its skills and in April 2020, incorporated SAFEPOD (PTY) Limited.

### **SAFEPOD (PTY) Limited (“SAFEPOD”) – South Africa**

The strategy of SAFEPOD is to offer field hospitals with an off-grid solution to Government institutions to combat the spread of Covid-19, but also to erect field hospitals and clinics in rural areas where medical facilities are scarce or non-existent.

By the end of the financial year SAFEPOD had successfully secured a contract to build two field hospitals at a mine in the Northern Cape.

This development has a positive effect on the Group’s cashflow for the year ahead.

### **The future**

Over the short-term, to enhance the cashflow position and expand into additional technology offering, ACES will provide commercial rooftop and solar solutions to farmers and offer storage super capacitor solutions technology to telecom’s companies. In the medium-term ACES will investigate acquisition possibilities.

ACES next twelve months will therefore consist of several projects detailed below:

- Installation of roof top renewable solar solutions mainly to commercial industry;
  - SACE Projects is in the process of concluding a contract to install solar energy on the roofs of commercial buildings in South Africa.
- Supply renewable energy capacitor storage solutions to the telecommunication industry on the African continent;
  - The super capacitor is a storage of energy unit which is considerably more superior to the normal battery storage. Its advantages are; it is not subject to fire, it has a life of between 10 to 20 years, compared to a battery life of 5 years and “theft” proof in that if stolen it cannot be used elsewhere. ACES is in discussion to supply these units to a substantial mobile company that operates throughout Africa.
- Supply and install energy solutions for the irrigation of food crop on agricultural land;
- Supply hydrogen technology solutions into various identified markets;
  - In recent years and the continued development of Hydrogen technology as an energy source is proving to be very effective, clean and reduce the operation and maintenance cost. ACES has

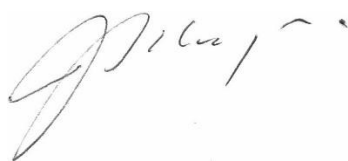
entered into an agreement with a provider of this technology as a marketer of the product in the SADC region. The one application is ideal for the mining industry in that it reduces the use of diesel by between 12% to 30% and at the same time increases efficiencies while reducing emissions. ACES is in discussion with two substantial mines in South Africa to install several units.

- Acquire equity in projects that have reached Commercial Operating Date, and generate cashflow;
- Continue to supply SAFEPODS to the health industry and develop the pod further into mining and education.

Over the long-term ACES will continue to develop, finance, build and own renewable projects.

Through ownership of the projects and sale of the energy, ACES will generate a strong positive cash flow for the benefit of the Group and its Shareholders.

Though we are entering uncharted territory in terms of how business will be operating, I am confident and excited at the opportunities availing and support renewable energy has globally. The Global demand and drive demonstrate that we are entering the energy and energy storage boom over the next 5 years and ACES is well positioned to take advantage of the opportunities. I certainly see growth and expansion for the group for next year.

A handwritten signature in black ink, appearing to read 'Dave Kruger', is written over a light blue circular stamp.

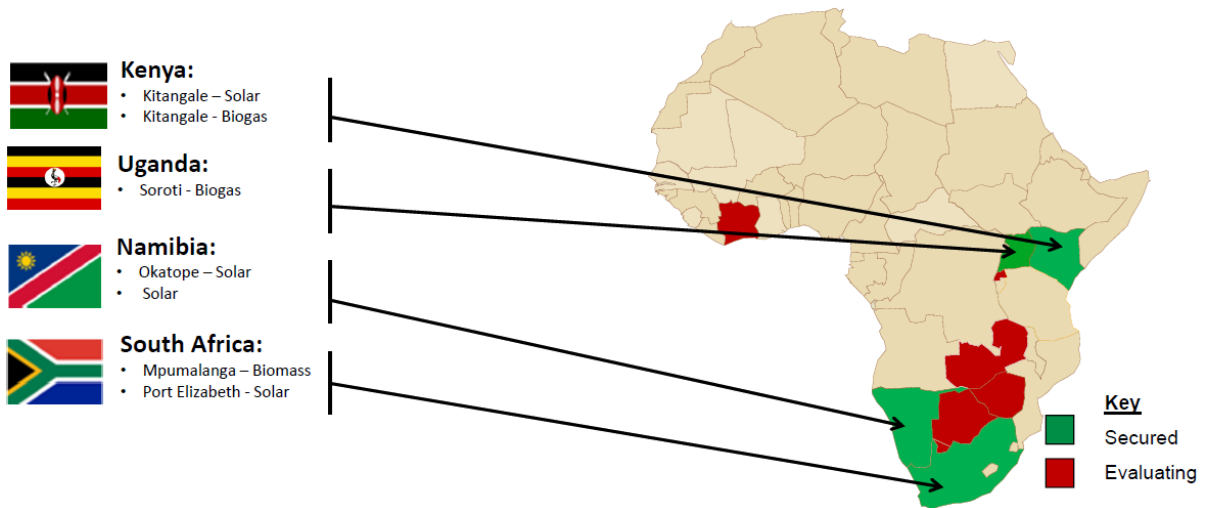
**Dave Kruger**  
**Chief Executive Officer**



# CURRENT PROJECTS

Projects in South Africa, Kenya and Uganda are being developed with a view to financial close in 2021 to 2022.

Operations secured and developed in Namibia, two solar PV projects are fully completed and operational.



## FUND RAISING

ACES is currently raising US\$6.3 million by the issue of new shares, which will close on 15 December 2020.

When the Company listed on the Official Market of the Stock Exchange of Mauritius Ltd (“SEM”) on 31 May 2019, the shares on the first day of trading was at USD 1.00 each and it maintained this level up until May 2020. As the Company is still a small cap company, the share trading is intermittent. The current share trade is at 96 US cents. Taking into consideration the effect that the Covid-19 pandemic is having on markets, ACES has not been immune to the impact. Everything possible under the current circumstances is being done to get the projects and the acquisitions completed so the investors can receive a return and to grow ACES.

## HUMAN RESOURCES

As the company is developing further projects it will need to increase its administrative, legal and technical expertise in the form of:

- Selection of the staff compliment for the various professions
- Finding the correct qualified candidates that can deliver and travel in Africa
- A capability to monitor and administer its completed projects to ensure the collection of cash flow

## REVIEW OF RESULTS

These results are somewhat in line with the expectations of Management in that during the period the Company continued to develop the projects. As these projects are in the development stage the need to utilize cash will continue. Set out earlier is a brief report on the status of the projects in Kenya, Uganda and the short- and medium-term operation policy.

The company has embarked on a fund raising exercise to raise US\$6.3 million by the issue of 7,000,000 new shares. The fund raise closes on 15 December 2020.

These funds are required to meet the working capital needs and development capital of the Group for the forthcoming financial year.

The Group has been in discussions with funders to provide debt funding to the projects and has received positive responses. However, the funders will only commit once the relevant Power Purchase Agreements are completed for signature.

The Company's profitability will increase once each of the projects reach financial close. It is expected that financial close for two of the projects will be reached prior to the 2021 year end, which will result in the Company earning its development and management fees.

Management has engaged in opportunities in Africa, including projects in early development stage to projects that have reached financial close and require equity partners. SAFEPOD has been appointed to erect two off grid field hospitals for a mine in Northern Cape and is actively promoting off grid infrastructure solutions to governments and mines.

The strategy of the company remains a developer, builder and owner of renewable projects in Africa and this strategy includes the investment into projects that have reached financial close and meet the minimum Internal Rate of Returns required by the Board and are located in those countries that ACES considers suitable for long terms investment.

# FINANCIAL STATEMENTS

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES MANAGEMENT AND ADMINISTRATION FOR THE YEAR ENDED 30 JUNE 2020

		Appointed on	Resigned on
<b>Directors:</b>	Smitha Algoo-Bissonauth	8 December 2017	-
	Melvyn Joseph Antonie	8 December 2017	-
	Johan David Kruger	8 December 2017	-
	Toorisha Nakey-Kurnauth	8 December 2017	-
	James Stuart Friedlander	19 February 2018	12 December 2019
	Gaetan Michel Siew Hew Sam	6 November 2018	-
	Antoine Kon-Kam King	28 August 2019	-
<b>Company secretary:</b>	Intercontinental Trust Limited Level 3, Alexander House 35 Cybercity Ebène, 72201 Mauritius		
<b>Registered office:</b>	Level 3, Alexander House 35 Cybercity Ebène, 72201 Mauritius		
<b>Auditors:</b>	BDO & Co Chartered Accountants 10, Frère Félix de Valois Street Port Louis Mauritius		
<b>Banker:</b>	AfrAsia Bank Limited Bowen Square 10, Dr Ferriere Street Port-Louis Mauritius		
<b>SEM authorised representative and SEM sponsor:</b>	Perigeum Capital Ltd Level 3, Alexander House 35 Cybercity Ebène 72201 Mauritius		

# DIRECTORS' COMMENTARY

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2020

The directors are pleased to present their report together with the audited financial statements of Africa Clean Energy Solutions Limited ("the Company") and its subsidiaries (collectively "the Group") for the year ended 30 June 2020.

### INCORPORATION

Africa Clean Energy Solutions Limited, referred to as the "Company", was incorporated in the Republic of Mauritius on 8 December 2017 under the Companies Act 2001 as a private company limited by shares. The Company has, by special resolution, converted itself into a public company on 7 March 2018. The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission. On 31 May 2019, the Company was listed on the Stock Exchange of Mauritius Limited.

### PRINCIPAL ACTIVITY

The principal activity of the Company is to provide clean energy solutions through its subsidiaries and associates.

The subsidiaries are namely:

Name	% Holding		Country of incorporation and operation
	Direct	Indirect	
Africa Clean Energy Solutions (ACES) Limited	100%	-	England
Tana Biomass Generation Limited	-	70%	Kenya
Tana Solar Limited	-	70%	Kenya
VFU - Clean Energy Limited	-	70%	Zambia
Africa Renewable Clean Power (Pty) Limited	72%	-	Namibia
SA Clean Energy Finance (Pty) Limited	100%	-	South Africa

The associates are namely:

Name	% Holding		Country of incorporation and operation
	Direct	Indirect	
Unergy Limited	-	40%	Uganda
SACE Projects (Pty) Limited	49.9%	-	South Africa
SAFEPOD (Pty) Limited	49%	-	South Africa

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**COMMENTARY OF THE DIRECTORS FOR THE YEAR ENDED 30 JUNE 2020**

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On 2 September 2019, Africa Clean Energy Solutions Limited disposed of 35% of its share capital in Unergy Limited.

On 10 May 2020, the Company subscribed for 49% in SAFEPOD (Pty) Limited.

On 31 May 2020, the Company acquired 100% of the share capital of SA Clean Energy Finance (Pty) Limited; 49.9% of SACE Projects (Pty) Limited and 72% in Africa Renewable Clean Power (Pty) Limited.

**REVIEW AND DIVIDEND**

The results of the Company for the year ended 30 June 2020 are as shown in the statement of profit or loss and other comprehensive income.

The directors did not recommend any payment of dividend for the year under review.

**AUDITORS**

The auditors, BDO & Co, have indicated their willingness to continue in office and their re-appointment will be tabled for consideration at the next annual meeting of the shareholders.

# CORPORATE GOVERNANCE REPORT

## **AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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Corporate governance is a system of structuring, operating and controlling a company and involves a set of relationships between all the company's stakeholders. Sound principles of corporate governance are essential to ensure fairness, integrity, transparency and to achieve a high level of stakeholders' trust and confidence in the organisation.

Africa Clean Energy Solutions Limited (the "Company" or "ACES") was incorporated in Mauritius on 8 December 2017 and holds a Category 1 Global Business Licence issued by the Financial Services Commission (the "FSC"). The Company is listed on the Official Market of the Stock Exchange of Mauritius Limited (SEM) since 31 May 2019.

Africa Clean Energy Solutions Limited, through its subsidiary companies, is a Renewable Energy Group and Independent Power Producer which focuses on the African continent where there is a compelling case for power generation. ACES focuses on developing, financing, building and owning projects for long term cash flow in USD. The Company is currently targeting growth in Ethiopia, Botswana, Malawi, and other business friendly jurisdictions. ACES is becoming a utility, operating renewable energy plants in Africa. ACES objective is to own and operate the projects in various countries and generate cash flow.

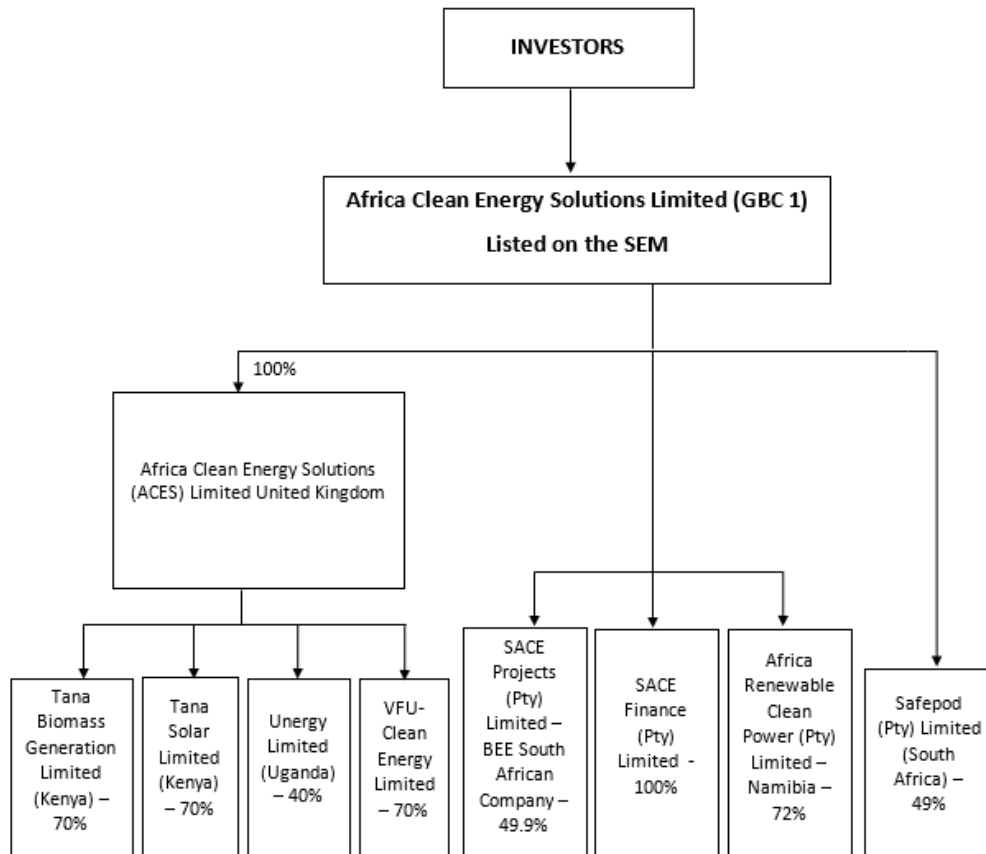
The Board of Directors of the Company recognises that The National Code of Corporate Governance for Mauritius (2016) (the "Code") is regarded as best practice and therefore uses its best endeavours to ensure that the principles of good corporate governance, as applicable in Mauritius, are fully adhered to and form an integral part of the way in which the Company's business is conducted. The Company also endeavours to apply the recommendations of the Code.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

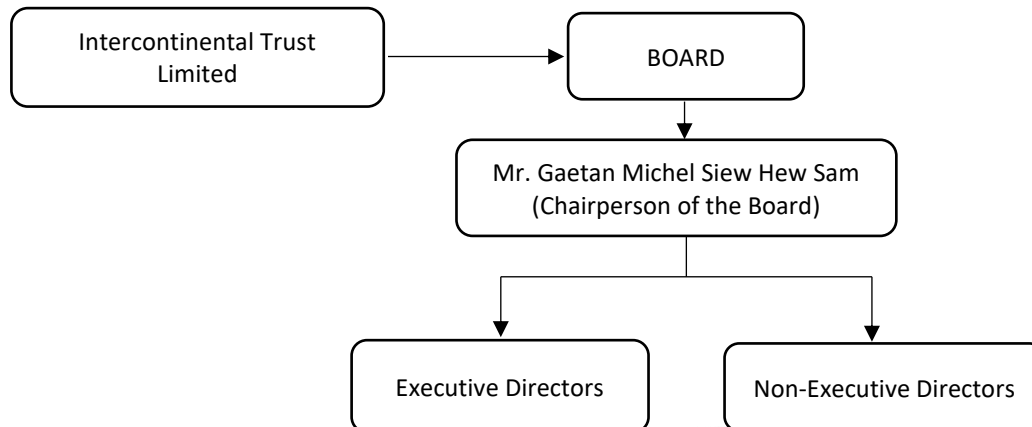
**SHAREHOLDERS**

**Holding structure**

The holding structure of the Company is as follows:



**Organisational Chart**





**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

**Description of Subsidiaries' and Associates' Activities**

<b>Name of subsidiary</b>	<b>Activity</b>
Africa Clean Energy Solutions (ACES) Limited United Kingdom	Provision of clean energy through its subsidiaries
Tana Biomass Generation Limited (Kenya)	Generating, operating and owning renewable energy power plants in Kenya
Tana Solar Limited (Kenya)	Dormant
Uenergy Limited (Uganda)	Generating, operating and owning renewable energy power plants in Uganda
VFU-Clean Energy Limited (Zambia)	Dormant
SACE Projects (Pty) Limited (South Africa)	Generating, operating and owning renewable energy power plants, and installing roof top solar solutions in South Africa
SA Clean Energy Finance (Pty) Limited (South Africa)	Dormant
Africa Renewable Clean Power (Pty) Limited (Namibia)	Generating, operating and owning renewable energy power plants in Namibia
Safepod (Pty) Limited (South Africa)	Design, manufacture, install Safepod Clinics and Smartpod classrooms

**Common Directors**

Mr Melvyn Joseph Antonie and Mr Johan David Kruger are common directors in the following subsidiary and associated companies:

<b>Melvyn Joseph Antonie</b>	<b>Johan David Kruger</b>
Africa Clean Energy Solutions (ACES) Limited United Kingdom	Africa Clean Energy Solutions (ACES) Limited United Kingdom
Tana Biomass Generation Limited (Kenya)	Tana Biomass Generation Limited (Kenya)
Tana Solar Limited (Kenya)	Tana Solar Limited (Kenya)
VFU-Clean Energy Limited (Zambia)	VFU-Clean Energy Limited (Zambia)
SACE Projects (Pty) Limited (South Africa)	SACE Projects (Pty) Limited (South Africa)
Africa Renewable Clean Power (Pty) Limited (Namibia)	Africa Renewable Clean Power (Pty) Limited (Namibia)
SA Clean Energy Finance (Pty) Limited (South Africa)	Uenergy Limited (Uganda)
	SAFEPOD (Pty) Limited (South Africa)

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

**Substantial Shareholders**

The following shareholders held more than 5% of the stated capital of the Company as at 30 June 2020:

Name of shareholder	Number of Ordinary Shares	% Holding
ITL Trustees Ltd as trustee of the Nemesis Trust	5,385,531	18.50%
ITL Trustees Ltd as trustee of the Topolino Trust	6,294,537	21.62%
ITL Trustees Ltd as trustee of the Wenda Trust	4,639,922	15.94%
Klaus Alfred Muller	1,569,999	5.39%
South Africa Clean Energy Solutions Limited	2,000,000	6.87%

**Shareholders' Agreement affecting governance of the Company by the Board**

During the year under review, as part of the acquisition of the business of South Africa Clean Energy Solutions Limited (SACES), a Purchase and Sale Agreement and Cession of Receivables Agreement was entered with SACES on 20 May 2020.

**Dividend Policy**

The Company intends to pay dividends to shareholders, when it has surplus cash to do so. However, as the objective of the Company is long-term capital growth, there may be periods in respect of which dividends may be low or not paid at all. The amount of any dividend will be at the complete discretion of the board and will depend on a number of factors, including expectation of future earnings, capital requirements, financial conditions, future prospects, laws relating to dividends and other factors that the board deems relevant.

Notwithstanding the above, and subject to the SEM Rules, the Company in a general meeting may declare dividends but may not declare a larger dividend than that declared by the directors.

No dividend shall be declared and paid except out of retained earnings and unless the directors determine that immediately after the payment of the dividend:

- (i) The Company will be able to satisfy the solvency test in accordance with Section 6 of the Mauritius Companies Act; and
- (ii) The realisable value of the assets of the Company will not be less than the sum of its total liabilities, other than deferred taxes, as shown in the books of account, and its capital.

No dividend has been declared for the year under review.

No shares of the Company are currently in issue with a fixed date on which entitlement to dividends arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

## **AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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### **APPLICATION OF THE CODE OF CORPORATE GOVERNANCE**

The Board assessed its corporate governance in terms of the eight corporate governance principles:

#### **PRINCIPLE 1: GOVERNANCE STRUCTURE**

The Board is ultimately accountable and responsible for the performance and affairs of the Company, whilst meeting the appropriate interests of its shareholders and stakeholders. To achieve this, the Board is responsible for establishing the objectives of the Company and setting a philosophy for investments, performance and ethical standards. In addition, the Board ensures that the Company complies with the relevant rules and regulations. Quarterly board meetings are held every year.

The Board collectively considers and implements the measures in respect of the Code and this is further strengthened by the presence of independent intermediaries like Auditors, who act as additional safeguards in meeting this principle. The main objects and functions of the Board are inter alia to:

- determine, agree and develop the Company's general policy on corporate governance in accordance with the Code;
- prepare the Corporate Governance Report; and
- review the terms and conditions of all service agreements between the Company and its service providers.

The Board acknowledges that it should lead and control the organisation and be collectively responsible for its long-term success, reputation and governance. In so doing, the Board assumes responsibility for meeting all regulatory and legal requirements.

The Board is responsible and accountable for all decisions of the Company where the duties of the directors are carried out in line with the Mauritian Companies Act 2001. The Company has delegated the day-to-day administrative functions to its Management Company and Company Secretary.

The Board is governed by its constitution which sets out the powers and duties of the directors, proceedings, operation and governance of the Board as well as the rules and regulations which it needs to abide along with other local laws and regulations. It has also adopted a board charter which sets out the composition, responsibilities, duties, procedures, powers, authority and accountability of the Board of Directors of ACES ensuring that the company's governance processes and structures comply with the Mauritius Code of Corporate Governance and international best practice. The Company also adopted a code of ethics at the board meeting held on 30 September 2019.

The Company's organisational chart is commensurate with the sophistication and scale of the organisation. The Company has six directors in appointment.

The Board is satisfied that it has suitably discharged its responsibilities for the year under review, in respect of corporate governance.

## **AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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### **PRINCIPLE 1: GOVERNANCE STRUCTURE (CONTINUED)**

The Company is committed to providing shareholders and its stakeholders with timely and relevant information. The Company has designed a website which can be accessed at [www.acesrenewables.com](http://www.acesrenewables.com). The website provides access to information about the Company as well as investor relation information.

#### **Role of the Chairperson, Chief Executive Officer, Non-Executive and Independent Directors**

The Board is headed by the Chairperson, Mr. Gaetan Michel Siew Hew Sam, an independent non-executive director. The role and function of the Chairperson is to preside over meetings of directors and to ensure that appropriate time is spent on the key issues facing the Company. The Chairperson ensures that:

- The Board meetings are chaired in an effective manner;
- Minutes of Board and Committee meetings are kept;
- The Committees function properly;
- The performance of the Board members is evaluated every year and they address any problems;
- Internal disputes and conflicts of interest concerning individual Board members and the possible resignation of such members as a result thereof are addressed; and
- The Board has proper contact with the executive members.

Given that the Chairperson has no directorship in other listed companies, he has sufficient time devoted to the Company. The Chairperson ensures that the corporate strategy and the related execution are aligned with operational efficiencies. He is also responsible for ensuring that the Directors receive accurate, timely and clear information and he encourages the active participation of all Board members in discussions and decisions. With his experience and strong knowledge of the Company, the Chairman is in an excellent position to oversee the affairs of the Company while ensuring that value is being created for all stakeholders.

The roles of the Chairman and Chief Executive Officer are separate and each of them has clearly defined responsibilities. These ensure a proper balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Mr David Kruger in his capacity as Chief Executive Officer of the Company is responsible for the executive management of the Company's operations and for developing the long-term strategy and vision of the Company. Mr Kruger also ensures effective communication with the stakeholders.

Non-executive and independent directors play a vital role in facilitating the exercise of independent and objective judgement on corporate affairs and to ensure that constructive discussion takes place on key issues. All directors are bound by fiduciary duties and duties of care and skill.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES**

**Board Composition**

The Board has a unitary structure and comprises of two executive directors, two non-executive directors and two independent non-executive directors. The independence of the non-executive members is determined as per the Code. The roles of the Chairman and the CEO are separate to ensure balance of power and authority. There are currently four resident directors from Mauritius and two female directors on the Board. Board appointments are made upon recommendation of the Corporate Governance committee, which is responsible for the nominations and appointments. Board appointments are done through a transparent selection process, which ensures the right balance of skills, experience and competencies in order to achieve the objectives of the Company. The Directors do not have a relationship with the majority shareholders of the Company. Given the current geographical spread of the markets, the size and activity of the Company, the Board is of the view that it is of sufficient size and balanced.

**The Board of Directors and Structure**

Name	Gender	Country of Residence	Designation	Date of appointment	Directorship in other listed companies
MELVYN JOSEPH ANTONIE	M	South Africa	Executive Director and Chief Finance Officer	8 December 2017	None
JOHAN DAVID KRUGER	M	South Africa	Executive Director and Chief Executive Officer	8 December 2017	None
ANTOINE KON-KAM KING	M	Mauritius	Independent Non-executive Director	28 August 2019	None
GAETAN MICHEL SIEW HEW SAM	M	Mauritius	Independent Non-executive Director	6 November 2018	None
SMITHA ALGOO-BISSONAUTH	F	Mauritius	Non-Executive Director	8 December 2017	2
TOORISHA NAKEY-KURNAUTH	F	Mauritius	Non-Executive Director	8 December 2017	None

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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

The committees are as follows:

<b>Sub-committee</b>	<b>Members appointed</b>
<b>Audit and Risk Committee</b>	<ul style="list-style-type: none"> <li>• Mr. Antoine Kon-Kam King (Independent Non-Executive Director &amp; Chairman)</li> <li>• Mrs. Smitha Algoo-Bossonauth (Non-Executive Director)</li> </ul>
<b>Investment Committee</b>	<ul style="list-style-type: none"> <li>• Mr. Johan David Kruger (Executive Director &amp; Chairman)</li> <li>• Mr. Gaetan Siew Hew Sam (Independent Non-Executive Director)</li> <li>• Mr. Melvyn Joseph Antonie (Executive Director)</li> <li>• Mrs. Smitha Algoo-Bossonauth (Non-Executive Director)</li> </ul>
<b>Corporate Governance Committee</b>	<ul style="list-style-type: none"> <li>• Mr. Antoine Kon-Kam King (Independent Non-Executive Director)</li> <li>• Mr. Melvyn Joseph Antonie (Executive Director)</li> </ul>

**Directors' Profile**

The names of all directors, their profile and their categorisation as well as their directorship details in listed companies are provided thereafter.

**MELVYN JOSEPH ANTONIE**  
**BA, LLB Diploma from Manchester University (Finance)**  
**(South African, Executive Director)**

Mr. Antonie is an admitted attorney. 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. Mr. Antonie became a director of Hill Samuel SA in 1986 and he 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, he was a director of SG Corporate Finance (SA) (Pty) Limited. Mr. Antonie has extensive experience in the financial field and heads up the ACES finance team.

**JOHAN DAVID KRUGER**  
**(South African, Executive Director)**

Mr. Kruger joined the Board on formation in 2007 and became the Chief Executive Officer in 2011, having previously managed a successful commercial property development company in South Africa. Mr. Kruger is responsible for the negotiations of the Group business partners in Africa and they are involved in negotiations with government and mining houses in Namibia, Kenya, Uganda, Botswana, South Africa and

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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

Malawi. He has more than 13 years of experience in the renewable energy industry and has concluded numerous projects in Africa, as well as the reasoned commissioning of two solar plants in Namibia. Mr. Kruger is responsible for the setup of a company called SAFEPOD (Pty) Limited, during the Covid-19 pandemic period, to supply field hospitals with renewable energy power supply.

**ANTOINE KON KAM KING BA, FCA, MBA, FMIOD  
(Mauritian, Independent Non-executive director)**

For the last 30 years, Mr. King has been working as a Senior Manager and Advisor internationally in Kenya, USA, China and UK on Projects, Finance, Administration, Strategic Planning and Organisational Development. Mr. King has worked at Deloitte, London and as a consultant to listed companies on Strategy and Finance at the London Business School. Mr. King has been the Deputy Representative at UNDP China Office and was a Senior Advisor at UNDP New York. From 2003-2012, Mr. King was Director of Programme Support at UN-Habitat, Nairobi. He is currently an Independent Board Member at Jubilee Insurance (Mauritius), Director of Antela Consulting, President of the Chinese Business Chamber, Vice-president of We-Recycle and President of 'conseil syndical', Le Bout du Monde. He is also currently a member of the Audit Committee Forum of the Mauritius Institute of Directors (MIOD).

**GAETAN MICHEL SIEW HEW SAM  
(Mauritian, Non-executive Independent Director)**

Mr. Siew was president of the International Union of Architects and Secretary General of the African Union of Architects. He is an avid world traveller, having experienced over 500 cities across 105 countries, mostly in Africa. For his contributions to the Architectural and Urban world, Mr. Siew was awarded several honorary membership and fellowships and elevated to the rank of Grand Officer of the Order of the Star and Key of the Indian Ocean by the Government of Mauritius. He also elevated to the ranks of Chevalier de l'Ordre National du Mérite, and de l'Ordre des Arts et des Lettres by the French Republic.

Mr. Siew has been a Board Director of Futures Cities UK, the chairperson of State Land Development Company (Smart Mauritius) and the chairperson of Construction Industry Board. He is currently the chairperson of the Port Louis Development Initiative and Special Envoy for UN Habitat. Mr Siew advocates for sustainable approaches towards urbanism aimed to socially and economically regenerate urban fabrics.

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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

**SMITHA ALGOO-BISSONAUTH**

**B.Sc (Hons), ICSA, MBA**

**(Mauritian, Non-executive Director)**

Mrs. Bissonauth joined the Corporate Services Department of Intercontinental Trust Limited (“ITL”) in 2006 and she is currently a Senior Manager in the Listing Department. She completed her MBA in Innovation and Leadership with distinction, from the University of Mauritius in partnership Ducere Business School and is presently an Associate Member of the Institute of Chartered Secretaries and Administrators.

Prior to her appointment as manager in the Listing Department, she headed various teams in the Corporate Services Department for nearly 10 years and is currently overseeing companies that are listed on the SEM, NSX, JSE and LSE. She has been overseeing the operations division such as incorporation of companies, advising on company structures, regulatory matters and corporate administration of global business companies, both under the private and public structures in the global business sector and the domestic sector.

Additionally, Mrs. Bissonauth sits as director on the boards of several global business companies that are under the administration of ITL, as well as boards of Listed Companies and Special Licensed Companies by the FSC.

**TOORISHA NAKEY-KURNAUTH**

**B.Sc (Hons)**

**(Mauritian, Non-executive Director)**

Mrs. Nakey-Kurnauth joined ITL in 2008 and is currently manager in the Listing Department. She has been overseeing the operations of the listing team and advises clients on incorporation of companies, compliance with ongoing obligations in relation to regulatory matters and she is the direct point of contact for clients. Mrs. Nakey-Kurnauth has also worked in the Fund administration department for five years where she has gained extensive experience by administering fund structures. She has advised clients on the fund structures, reviewed fund documents and was also involved in fund accounting. Over the years, Mrs. Nakey-Kurnauth has gained experience in managing people and servicing clients.

Mrs. Nakey-Kurnauth has attended several seminars, conferences and workshops in relation to leadership, presentation skills, company secretarial matters and compliance with ongoing SEM obligations.

Mrs Nakey-Kurnauth has graduated from the University of Mauritius with a Bsc (Hons) in Finance with Law and she is currently taking the final papers for the ACCA.



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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

**Board Meetings**

The Board meetings are held once each quarter and at any additional times as the Company requires. Decisions taken between meetings are confirmed by way of resolutions in writing, agreed and signed by all directors then entitled to receive notice.

The Board meetings are conducted in accordance with the Company's Constitution and the Mauritius Companies Act 2001 and are convened by giving appropriate notice to the directors. Detailed agenda, as determined by the Chairman, together with other supporting documents are circularised in advance to the directors to enable them to participate meaningfully in the decision-making process and make informed deliberations at Board meetings. In order to address specific urgent business needs, meetings are at times called at shorter notice. Furthermore, the directors have the right to request independent professional advice at the Company's expense.

A quorum of three (3) directors is currently required for a Board Meeting of the Company and in case of equality of votes, the Chairman does not have a casting vote.

A director of the Company who has declared his/her interest shall not vote on any matter relating to a transaction or proposed transaction in which he/she is interested and shall not be counted in the quorum present for the purpose of that decision.

A list of directors' interests is maintained by the Company Secretary and is available to shareholders upon request to the Company Secretary. The directors confirm that the list is correct at each quarterly Board meeting.

During the year under review, the Board met five (5) times. Decisions were also taken by way of resolutions in writing, agreed and signed by all directors then entitled to receive notice of the meeting.

The minutes of the proceedings of each Board meeting are recorded by the Company Secretary, Intercontinental Trust Limited and are entered in the Minutes Book of the Company. The minutes of each Board meeting are submitted for confirmation at the next meeting and these are then signed by the Chairman.

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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

**Board Committees**

The audit and risk committee, investment committee and corporate governance committee have been set up to assist the Board in the effective performance of its duties. All the committees are governed by their charters which have been approved by the board of directors. As the focal point, the Board is ultimately responsible and accountable for the performance and affairs of the Company. Committees are a mechanism for assisting the Board and its directors in discharging their duties through a more comprehensive evaluation of specific issues. Delegating authority to Board committees or management does not in any way absolve the Board of its duties and responsibilities.

*Investment Committee*

The Investment Committee is a committee of the Board of Directors of the Company established to assist the Board in discharging its responsibilities as follows:

- The Committee shall set investment policies, subject to approval of the Board and guidelines;
- The Committee shall review and make recommendations to the Board regarding:
  - the investment policies and guidelines, their implementation, and compliance with those policies and guidelines;
  - advising the Operations team, who manage the day to day operations, on debt and/or loan structures;
  - risk management with regard to investment activities.
- The Committee shall review the performance of the local Project Managers, and shall in appropriate circumstances recommend to the Board the termination of the services of the Project Managers, and the appointment of any other external managers, in conjunction with the Operations team.
- The Committee shall help the Board to ensure that responsible investment is practiced by the Company to promote good governance and creation of value by the projects and countries in which the Company invests.
- The Committee will set the direction for how responsible investing will be approached and conducted by the Company. The Committee shall therefore assist the Board in approving a policy that articulates the Company's direction on responsible investment. This policy should provide for the adoption of a recognised responsible Investment code, principles and practices.
- The Committee shall assist the Board in holding any outsourced service providers accountable for complying with the responsible investment principles incorporated in the Company's Investment Principles. To give effect to this, the Committee will from time to time consider reports from the outsourced providers regarding their compliance with the responsible Investment Principles.

The Committee shall meet on a quarterly basis. The Committee's responsibilities and duties are governed by the Investment Committee charter that was approved by the Board and which will be reviewed at least each year. The Committee shall provide feedback to the Board following all meetings.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

*Audit and Risk Committee*

The Audit and Risk Committee is a committee of the Board of Directors of the Company established to assist the Board in discharging its responsibilities as follows:

- The Committee shall review the quality and integrity of the financial statements of the Company, including its annual and interim reports and any formal announcement relating to the Company's financial performance;
- The Committee shall report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the Committee by the auditor;
- The Committee shall review and challenge where necessary:
  - any changes to significant accounting or significant adjustments resulting from the audit;
  - compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
  - methods used to account for significant or unusual transactions where different approaches are possible;
  - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external auditor;
  - the basis on which the Company has been determined a going concern;
  - capital adequacy and internal controls;
  - compliance with the financial conditions of any loan covenants.
- The Committee shall be responsible for monitoring and evaluating the operational, financial and strategic risk of the Company.

*Corporate Governance Committee*

The Corporate Governance committee is a committee of the Board of Directors of the Company established to assist the Board in discharging its responsibilities as follows:

- To determine, develop and recommend to the Board the company's general policy on Corporate Governance in accordance with the Code of Corporate Governance of Mauritius;
- To ensure that the reporting requirements on Corporate Governance, on an ongoing basis, are in accordance with the principles of the Code;
- To ensure that an adequate process is in place for the Board;
- To monitor the ethical conduct of the Company, its executives and senior officials;
- To review and recommend the implementation of structures and procedures to facilitate the Board's independence from management;
- To give recommendations on any potential conflict of interest or questionable situation of a material nature;
- To develop Charters for any new Committees established by the Board and review the Charters of each existing Committee and recommend any amendments or elimination to the Charters or Committees;

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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

*Corporate Governance Committee (Continued)*

- To review all related party transactions and situations involving Board members and refer where appropriate to the Board or the shareholders general meeting;
- To regularly review the structure, size and composition (including skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
- To give consideration to succession planning for directors and senior executives, taking into account the challenges and opportunities facing the Company, and future expertise needed;
- To make recommendations for membership of the Audit and Risk Committee and Investment Committee, and any other Board Committees as appropriate in consultation with the Chairperson of those Committees to the Board;
- To make recommendations for the re-election, by shareholders, of directors or the retirement by rotation, having due regard to their performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required and the need for progressive refreshing of the Board;
- To within the terms of the agreed Remuneration Policy and in consultation with the Chairperson and or/the CEO, determine specific remuneration packages of the Board and senior management, including bonuses, incentive payments and share options or other share awards;
- To ensure the objective of the Remuneration Policy shall be to attract, retain and motivate executive management of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Remuneration Policy should have regard to the risk appetite of the Company and alignment to the Company's long term strategic goals;
- To review the on-going appropriateness and relevance of the Remuneration Policy.

The Committee shall meet at least once a year. The Committee's responsibilities and duties are governed by Corporate Governance Committee charter that was approved by the Board and which will be reviewed at least each year. The Committee provides feedback to the Board following all meetings.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

**Board Attendance at meetings**

The Board meets as and when required to discuss routine and other significant matters to ensure that the directors maintain overall control and supervision of the Company's affairs.

The following table gives the record of attendance at Board meetings and Committee meetings of the Company for the year under review:

	<b>Board Meeting</b>	<b>Audit and Risk Committee</b>	<b>Corporate Governance Committee</b>	<b>Investment Committee</b>
Melvyn Joseph Antonie	5/5	N/A	1/1	N/A
Johan David Kruger	5/5	N/A	N/A	N/A
Antoine Kon-Kam King	4/5	5/6	1/1	N/A
Gaetan Michel Siew Hew Sam	4/5	N/A	N/A	N/A
Smitha Algoo Bissonauth	5/5**	6/6	N/A	N/A
Toorisha Nakey-Kurnauth	5/5**	N/A	N/A	N/A

\*\*Ms. Sheetalsingh Bissumroy alternated for Mrs. Smitha Algoo-Bissonauth at the board meeting held on 10 July 2019 and for Mrs. Toorisha Nakey-Kurnauth at the board meeting held on 5 November 2019.

**Contracts of Significance**

During the year under review, there was no contract of significance to which the Company was a party and in which a director of the Company was materially interested either directly or indirectly, except as disclosed otherwise.

**Directors' interest in the share capital of the Company as at 30 June 2020**

Dealing in the Company's securities by directors is regulated and monitored as required by the SEM listing rules. The directors follow the principles of the model code on securities transactions by directors as detailed in Appendix 6 of the SEM Listing Rules.

Directors shall act in the best interest of the Company and its business, taking into consideration the interests of the stakeholders. The directors shall consider addressing any conflicts of interest issues between the Company and members of the Board. Any conflict of interest or potential conflict of interest shall be

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**PRINCIPLE 2: STRUCTURE OF THE BOARD AND ITS COMMITTEES (CONTINUED)**

reported to the Chairperson of the Board and all relevant information shall be provided. A register of directors' interests is maintained by the Company Secretary. The interests register is available to shareholders upon written request to the Company Secretary.

The directors' interests in the shares of the Company as at 30 June 2020 are as follows:

Directors	Direct Holding	Indirect Holding	Total Shares Held
Melvyn Joseph Antonie	5	5,385,531	5,385,536
Johan David Kruger	5	6,294,537	6,294,542
Antoine Kon-Kam King	-	-	-
Gaetan Michel Siew Hew Sam	-	-	-
Smitha Algoo Bissonauth	-	-	-
Toorisha Nakey-Kurnauth	-	-	-

As per the SEM approval letter, the shareholders of ACES whose names appear in the share register as at 28 May 2019 are not allowed to dispose during the first two years of listing, of more than 10% of their initial shareholding in the Company.

**Company Secretary**

Intercontinental Trust Limited (ITL) is a suitably qualified, experienced and competent company secretary that is appropriately empowered to fulfil duties and provide assistance to the Board.

The Company Secretary is responsible to the Board for ensuring that procedures and regulations are complied with and that directors are conversant with their duties and responsibilities. The Company Secretary provides the Board as a whole and directors individually with detailed guidance on the discharging of their responsibilities in the best interest of the Company.

The Board has considered the competence, qualifications and experience of the company secretary, and deemed it fit to continue in the role as company secretary for the Company.

The Company Secretary also acts as Secretary to the different board committees.

The Company Secretary is subject to annual evaluation by the Board.

## **AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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### **PRINCIPLE 3: DIRECTOR APPOINTMENT PROCEDURES**

#### **Director Appointment Procedures**

The Board, through the Corporate Governance Committee, follows a rigorous, formal and transparent procedure to select and appoint new directors. The Corporate Governance Committee leads the process according to the Company's Constitution and makes recommendations to the Board.

Shareholders are ultimately responsible for electing or removing Board members upon recommendation of the Corporate Governance Committee. The directors have been appointed by the Board and submitted themselves for re-appointment at the Annual Meeting. Board members are selected to achieve a mix of skills and knowledge appropriate to the Company's business.

#### **Succession Planning**

The directors identified that suitable succession plans are not in place in order to ensure progressive refreshing of the board. The Board is of the view that given the nature of the business, it is not imperative to have individuals with specific skills. Therefore, it should not be an issue to find new members to replace existing ones, if required.

#### **Board Orientation and Induction**

The Company has put in place procedures to ensure that newly appointed directors receive an induction upon joining the Board to familiarise them with the Company's operations, senior management and its business environment and to induct them in their fiduciary duties and responsibilities.

The Chairperson arranges for a meeting with any new director to brief on the company's activities and governance requirements and expectations. All new directors participate in an induction and orientation process. The Corporate Governance Committee assumes the responsibilities for succession planning and shall make recommendation to the Board accordingly. The Board shall review the professional development and ongoing education of directors as from the next financial year.

#### **Professional Development and Training**

Directors are encouraged to keep themselves up to date with the latest workplace trends and professional development. The Board conducts annual reviews to identify areas where the Board members require further training or education.

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**PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE**

The directors of the Company are aware of their duties under the Companies Act 2001 and the Constitution of the Company and exercise sufficient care, diligence and skills for the good conduct of the business. The Board meets regularly (frequency depending on nature of business and operations) to discuss and approve the Company’s operational, regulatory and compliance matters. The directors are provided appropriate notice and materials to help them in their decision-making.

**Directors’ interests**

Directors inform the Company as soon as they become aware that they have an interest in a transaction. The Company Secretary keeps a register of directors’ interests and ensures that the register is updated regularly. The interest register is available to the shareholders of the Company upon request to the Company Secretary.

**Directors’ Remuneration**

<b>Non-Executive directors (ITL)</b>	<b>Independent Non-Executive director (Chairperson)</b>
USD 7,000	USD 19,500

The salaries of the executive directors during the year are as follows:

<b>Executive directors</b>	<b>Salary (USD)</b>
Johan David Kruger	USD 77,500
Melvyn Joseph Antonie	USD 45,000

The directors have not received remuneration in the form of share options or bonuses associated with the Company’s performance.

The director fees for the non-executive are included in the fees paid to the Company Secretary, i.e. Intercontinental Trust Ltd.



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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**PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONTINUED)**

**Remuneration Philosophy**

In relation to Remuneration, the Corporate Governance Committee shall:

- Within the terms of the agreed Remuneration Policy and in consultation with the Chairperson and or/the CEO, determine specific remuneration packages of the Board and senior management, including bonuses, incentive payments and share options or other share awards.
- Ensure the objective of the Remuneration Policy shall be to attract, retain and motivate executive management of the quality required to run the Group successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The Remuneration Policy should have regard to the risk appetite of the Group and alignment to the Group's long term strategic goals.
- Review the on-going appropriateness and relevance of the Remuneration Policy.
- Oversee any major changes in employee benefits structures throughout the Group.
- Agree the policy for authorising claims for expenses from the directors.

**Employee Share Option Plan**

The Company does not have an employee share option scheme.

**Related Party Transactions**

The Company has acquired the business of South Africa Clean Energy Solutions Limited at an offer price of USD 2,000,000 with the consideration settled through the issue of 2,000,000 new shares in the Company at a price of USD 1.00 each.

All related-party transactions have been conducted in accordance with the related-party transactions policy.

The related party transactions have been set out in note 25 of these financial statements.

**Board Evaluation and development**

As the Company is newly incorporated and listed, the Corporate Governance Committee is conducting its first evaluation exercise of the Board, the individual directors and the Audit Committee to be presented at the board meeting scheduled for approval of accounts for the year ended 30 June 2020. The Company Secretary used the survey method to conduct the evaluation process.

The directors forming part of the Board of the Company, especially those who are members of Board Committees, have been appointed in the light of their wide range of skills and competence acquired through several years of working experience and professional background.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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**PRINCIPLE 4: DIRECTOR DUTIES, REMUNERATION AND PERFORMANCE (CONTINUED)**

**Directors' ethics and code of conduct**

The Board of Directors is mindful of the interest of other stakeholders such as suppliers, clients and the public at large when running its operations and is committed to high standards of integrity and ethical conduct in dealing with them.

Furthermore, the Company and its employees must, at all times, comply with all applicable laws and regulations. The Company will not condone the activities of employees who achieve results through violation of the law or unethical business dealings. This includes any payments for illegal acts, indirect contributions, rebates, and bribery. The Company does not permit any activity that fails to stand the closest possible public scrutiny.

All business conduct should be above the minimum standards required by law. Accordingly, employees must ensure that their actions cannot be interpreted as being, in any way, in contravention of the laws and regulations governing the Company's operations. Employees uncertain about the application or interpretation of any legal requirements should refer the matter to their superior, who, if necessary, should seek the advice of someone at the highest level of the Company's hierarchy.

The Company is committed to the highest standards of integrity and ethical conduct when dealing with all its stakeholders. This commitment, which is actively endorsed by the Board, is based on a fundamental belief that business should be conducted honestly, fairly and legally. Given the size and activity of the Company, it does not have a significant footprint with regards to environmental, health and safety and social issues. No reporting is therefore required.

**Information policy**

The Board is ultimately responsible for information and technology ("IT") governance. The Board relies on the IT framework of the different service providers.

The Company Secretary ensures that the correct information flows within the Board and provides accurate, timely and clear information to the Board as and when required. The Directors ensure strict confidentiality with respect to information obtained while exercising their duties. The Company Secretary keeps all records of the Company and has proper information technology policies in place. Accordingly, the Company places reliance on the controls implemented by the Company Secretary and deems that it is not necessary for the Company to have its own frameworks. Therefore, there is no cost associated to any expenditure by the Company on information technology.

The Directors ensure strict confidentiality with respect to information obtained and shared while exercising their duties.

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020

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### PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL

Risk management is the discipline by which risks are identified, assessed and prioritised. It is essential to understand the multiple dimensions of risks in order to manage them effectively, with the aim of increasing shareholder value.

The directors are responsible for maintaining an effective system of internal control and risk management. The Board confirms that there is an ongoing process for identifying, evaluating and managing the various risks faced by the Company.

Day to day activities are undertaken by the Secretary, ITL, which needs to ensure that the necessary structures, processes and methods for identifying and monitoring any risks are in place. Hence, the Company relies on the internal controls of ITL which is subject to an internal control review and reporting by external auditors. On a yearly basis, an ISAE 3402 Type II Audit is conducted and the latest report was issued on 20 September 2019.

There are no risks that threaten the solvency and liquidity of the Company. The directors make an assessment of the Company's ability to continue as a going concern and same is disclosed in the financial statements every year.

Risk management is an integral part of the Company's strategic management and is the mechanism through which risks associated with the Company's activities are addressed. The key objectives of the risk management system include:

- the identification, assessment and mitigation of risks on a timely basis;
- the provision of timely information on risk situations and appropriate risk responses;
- the identification of potential opportunities which would result in increasing firm value; and
- the installation of a culture of risk management throughout the Company.

#### Internal audit

The Board does not consider that the Company needs to have an internal audit function given the size and nature of its business. Internal audit work will be outsourced to external audit firms on an ad hoc basis should the Audit Committee deem it necessary.

#### Internal control and risk management

The Company recognises that proper risk management and internal control help organisations understand the risks they are exposed to, put controls in place to counter threats, and effectively pursue their objectives. They are therefore an important aspect of an organisation's governance, management and operations.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
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**PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

**Internal control and risk management (continued)**

The Board has delegated to the Audit and Risk Committee (AC) its overall responsibility to translate its vision on risks management. In relation to Internal Control, the Audit and Risk Committee will:

1. Review the adequacy of the Company's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems;
2. Review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns about possible wrongdoing in financial reporting or other matters;
3. Review the Company's procedures and controls for detecting fraud and the prevention of bribery;
4. Review significant transactions not directly related to the Company's normal business as the Committee might deem appropriate;
5. Review and investigate cases of employee conflicts of interest, misconduct, fraud, bribery or any other unethical activity by employees or the Company;
6. Safeguard Company's assets against unauthorised use or disposal.

The Company will engage in the above mentioned internal controls during the financial year ending 30 June 2021.

The financial risks to which the Company is exposed to are disclosed in Note 5.

<b>Risk Category</b>	<b>Risk Description</b>	<b>Risk Mitigation</b>
<b>Currency risk</b>	The Company invests in other jurisdictions other than Mauritius. For those investors whose base or home currency is not the same as the relevant foreign currency, there is a risk of currency loss if the USD depreciates against the investors' base currency.	The investments will be denominated predominantly in USD, and each project predominantly generates income in USD, thereby reducing currency risk.
<b>Stock market risk</b>	ACES share price/ market capitalisation value is subject to market changes and could decrease or increase in price based on the movement in global and local stock markets.	

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

**PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

<b>Risk Category</b>	<b>Risk Description</b>	<b>Risk Mitigation</b>
<b>Energy, technology, location and infrastructure risks</b>	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.
	With regard to the infrastructure, the major risks are transmission, connection and infrastructure equipment.	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.
	Irradiation of the sun whose 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.
<b>Stakeholder risk</b>	As the Company’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. Stakeholder relations could severely impact the viability and profitability of a project, if not managed appropriately.	The Company has created a detailed stakeholder risk assessment which is incorporated in its risk register.
<b>Operational risk</b>	As the Company’s strategy is to own and operate its clean energy operations, operational risk needs to be aggressively managed. Operational failures could result in financial loss for the Company.	The Company takes out appropriate insurance cover and relies on the guarantees of the EPC and O&M providers.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

**PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

<b>Risk Category</b>	<b>Risk Description</b>	<b>Risk Mitigation</b>
<b>Liquidity risk</b>	The nature of the business of the Company 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 USD) tends 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.	The Company identifies the cash flow needs of a project in advance and provides a facility to meet future cash flow shortages.  In addition the Company takes out MIGA and appropriate insurance policies to cover political and commercial risk to prevent a project cash flow shortage.
<b>Capital and Investment Risk</b>	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 may not adequately compensate shareholders for the business and financial risks assumed. 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 Group's portfolios and performance both in the short and longer terms.	A comprehensive due diligence is conducted prior to investment in order to identify and potentially reduce the risk factor.
<b>Leverage and financing risk</b>	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%.	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%.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

**PRINCIPLE 5: RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

<b>Risk Category</b>	<b>Risk Description</b>	<b>Risk Mitigation</b>
<b>Global Political, Economic and Financial Risk</b>	As the Company invests 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 Company will take reasonable steps to mitigate these risks, including political risk and other insurance cover.
<b>Failure to integrate new acquisitions</b>	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.	Prior to an acquisition a detailed due diligence is undertaken, including but not limited to the integration process.

In addition to the above, the Company relies on the Investment Committee which reviews all investments and acts as an additional layer in the investment decision process. The Board believes that this mitigates the risk associated with the business activity of the Company.

The Board has established and maintains an effective compliance monitoring plan, policies, procedures and controls, as may be appropriate and effective to review its obligations under the Laws, the Rules and regulations, having full regard to the risk complexity and diversity of its clients and services. The Board has effective responsibility for compliance with the Rules, the Law and any other rules made under the Law.

The Company Secretary conducts regular file reviews on the Company.

The Board ensures that there are effective and appropriate policies, procedures and controls in place which allow the board to meet their obligations, with particular regard to the nature, size and complexity of the business and includes a requirement for sample testing of the policies and procedures to ensure that they are robust. When a review of compliance is discussed by the Board, at appropriate intervals, the necessary action is taken to remedy any identified deficiencies and to provide adequate resources to ensure that these are subject to regular monitoring and testing, as required.

**Whistleblowing procedure**

Having due regards to its size, the Board does not consider the need to have a whistleblowing procedure. It shall consider the merits of implementing a whistleblowing policy if the circumstances of the Company changes.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

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**PRINCIPLE 6: REPORTING WITH INTEGRITY**

The directors are responsible for preparing the financial statements of the Company that fairly present the state of affairs and financial position of the Company on a yearly basis in accordance with applicable law and regulations.

The Company recognises the importance of being a responsible corporate citizen and operating in a socially responsible manner. In so doing, the Company takes into consideration the economic, environmental, ethical, social, and health factors affecting the communities in which it operates. The Company has taken all measures to reduce any negative social and environmental impact of its operations. Further, the Board is committed to ethical behaviour in all its transactions.

The Company is committed to the general rules and regulations governing the health, safety and environmental issue. The Company has a high standard for environmental and social risk management and as such, invests only where environmental and social risks are considered and appropriately mitigated. The Company is committed to minimising any adverse effect of its operations on the health and safety of its employees and the community in which it operates.

The financial statements are prepared under IFRS, which is a generally accepted accounting principle by the FSC. A corporate governance report is included in the audited financial statements.

The quarterly unaudited financial statements of the Company have been filed with the FSC and released on the SEM website within 45 days from the closing date of each quarter.

The Company made no charitable or political donations during the year under review.

There are no clauses of the Company's Constitution deemed material enough for separate disclosure.

**PRINCIPLE 7: AUDIT**

BDO has been appointed as auditors of the Company since incorporation in 2017. The auditors presented their report and the audit process to the Audit Committee. The Audit Committee has satisfied itself that the external auditors are independent, experienced in the audit of companies in the same line of business and have the necessary resources to undertake audits of such companies. The audit committee has discussed the accounting principles with the auditors. BDO will be considered for re-appointment at the annual meeting of shareholders.



## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020

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### PRINCIPLE 7: AUDIT (CONTINUED)

In relation to the Audit & Risk Committee's meeting with the external auditor without management presence, this was held in the last week of September 2020.

The Audit and Risk committee will oversee the relationship with the external auditor including:

1. Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements, including the provision of any non-audit services;
2. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the organisation, other than in the ordinary course of business, which could adversely affect the auditor's independence and objectivity.

A key factor that may impair auditors' independence is a lack of control over non-audit services provided by the external auditors.

In essence, the external auditors' independence is deemed to be impaired if the auditors provide a service which:

- results in auditing of own work by the auditors;
- results in the auditors acting as a manager or employee of the Company;
- puts the auditors in the role of advocate for the Company; or
- creates a mutuality of interest between the auditors and the Company.

The Company addresses this issue through three primary measures, namely:

- disclosure of the extent and nature of non-audit services;
- the prohibition of selected services;
- prior approval by the audit committee of non-audit services.

Other safeguards encapsulated in the policy include:

- the external auditors are required to assess periodically, in their professional judgement, whether they are independent of the Company;
- the audit committee ensures that the scope of the auditors' work is sufficient and that the auditors are fairly remunerated;
- the audit committee has primary responsibility for making recommendations to the Board on the appointment, reappointment and removal of the external auditors.

The audit committee approved the external auditors' terms of engagement, scope of work, the annual audit and the applicable levels of materiality. Based on written reports submitted, the committee reviewed, with the external auditors, the findings of their work and confirmed that all significant matters had been satisfactorily resolved. The audit committee has satisfied itself as to the suitability of the external auditors for reappointment for the ensuing year.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

**PRINCIPLE 7: AUDIT (CONTINUED)**

Given the size, complexity and nature of the business, the Board is of the view that the Company does not need an internal audit function and hence no internal audit committee has been set up. The Board relies on the system of internal controls developed jointly by the company secretary and its advisor as well as the external audit that is conducted annually.

No non audit services were provided by the external auditors for the year ended 30 June 2020.

**Auditors' Remuneration**

The fees payable (exclusive of VAT) to the auditors of the Company for audit services are as follows:

	2020 USD	2019 USD
Audit fees	29,425	18,000
<b>At 30 June</b>	<b>29,425</b>	<b>18,000</b>

**PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS**

The Board of Directors places great importance on clear disclosure, open and transparent channel of communication with all its shareholders. It endeavours to keep them regularly informed on matters pertaining to and affecting the Company.

Through the Company's website namely [www.acesrenewables.com](http://www.acesrenewables.com), information is provided to all stakeholders on the activities of the Company. The policies and documents required by the Code will be made available on the website when releasing the annual report.

The annual meeting of the shareholders of the Company will be held by 31 December 2020 to adopt the annual report including the financial statements. Shareholders are strongly encouraged to attend the Company's Annual Meeting, which provides an opportunity for the latter to raise and discuss matters with the Board relating to the Company's performance and also to keep abreast of the overall strategy and goals.

The Chairman, Chief Executive Officer and other Board members assist the Annual Meeting and invite Shareholders to put questions on different aspects of the Company's activities and directions the business will take in the future.

The Annual Report, including the Notice of the Annual Meeting of shareholders, is sent to each shareholder of the Company and the Notice of the Annual meeting is published in two daily newspapers at least 21 days before the meeting.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 30 JUNE 2020**

**PRINCIPLE 8: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)**

The Company also makes regular filings with the Registrar of Companies and Financial Services Commission in Mauritius to ensure that the Company is up to date with its filings.

The net asset value per share of the Company as at 30 June 2020 was USD 0.0577. The Company will regularly engage with its shareholders through the publication of its announcements, roadshows, at the annual general meeting and by holding meetings.

**Time Table of Important Events**

Month	Events
October 2020	Publication of abridged audited financial statements for the year ended 30 June 2020
November 2020	Annual General Meeting
June 2021	Financial year end



**Mr. Melvyn Joseph Antonie**  
Corporate Governance Committee

# STATEMENT OF COMPLIANCE

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
STATEMENT OF COMPLIANCE FOR THE YEAR ENDED 30 JUNE 2020**

**(Section 75 (3) of the Financial Reporting Act)**

**Name of Company: Africa Clean Energy Solutions Limited**

**Reporting Period: Financial year ended 30 June 2020**

We, the undersigned being the directors of Africa Clean Energy Solutions Limited, the “Company”, confirm that, to the best of our knowledge, the Company has partially complied with the Code. Due to the size, structure and nature of the business of the Company, many of the criteria stipulated in the Code are not deemed to be relevant to the Company and the reasons have been provided below:

	<b>Areas of non-application of the Code</b>	<b>Explanation for non-application</b>
<b>Principle 2</b>	Board committees	The corporate governance as well as the audit and risk committees currently constitute of only 2 members. The Company is in the process of identifying a suitable candidate to be appointed to the Board and the latter can form part of the above-mentioned committees.
<b>Principle 3</b>	Succession planning	The Board is of the view that given the nature of the business, it is not imperative to have individuals with specific skills. Therefore, it should not be an issue to find new members to replace existing ones, when required.
<b>Principle 5</b>	Whistleblowing procedure	Having due regards to its size, the Board does not consider the need to have a whistleblowing procedure. It shall consider the merits of implementing a whistleblowing policy if the circumstances of the Company changes.
<b>Principle 7</b>	Internal audit	The Board does not consider that the Company needs to have an internal audit function given the size and nature of its business. Internal audit work will be outsourced to external audit firms on an ad hoc basis should the Audit Committee deem it necessary.



**Director**  
**Date: 16 October 2020**



**Director**  
**Date: 16 October 2020**

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## **AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2020**

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The Directors acknowledge their responsibilities for:

1. Adequate reporting records and maintenance of effective internal control systems;
2. The preparation of the consolidated annual financial statements which fairly present the state of affairs of the Company as at the end of the financial period and the results of its operations and cash flows for that period, and which comply with International Financial Reporting Standards ("IFRS"); and
3. The selection of appropriate accounting policies supported by reasonable and prudent judgements.

The external auditors are responsible for reporting on whether the financial statements are fairly presented.

The Directors report that:

1. Adequate accounting records and an effective system of internal controls and risk management have been maintained;
2. Appropriate accounting policies supported by reasonable and prudent judgements and estimates have been used consistently;
3. International Financial Reporting Standards have been adhered to;
4. The Code of Corporate Governance has been adhered to. Reasons have been provided in the corporate governance report in case of non-compliance with any requirement; and
5. The Directors have reviewed the Company's cash flow forecast for the 12 month period from the date of signature and, in the light of this view and the current financial position, they are satisfied that the Company has or will have access to adequate resources to continue in operational existence and as a going concern for the foreseeable future.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2020**

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Signed on behalf of the Board



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**Director**

**Date: 16 October 2020**



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**Director**

**Date: 16 October 2020**

# SECRETARY'S CERTIFICATE

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
SECRETARY'S CERTIFICATE UNDER SECTION 166(D) OF THE MAURITIUS COMPANIES ACT 2001 FOR THE  
YEAR ENDED 30 JUNE 2020**

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We confirm that, based on records and information made available to us by the directors and members of the Company, the Company has filed with the Registrar of Companies, for the year ended 30 June 2020, all such returns as are required of the Company under the Mauritius Companies Act 2001.



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**Intercontinental Trust Limited**  
*Company secretary*

Date: 16 October 2020

# INDEPENDENT AUDITORS' REPORT

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Africa Clean Energy Solutions Limited

### Report on the audit of the Financial Statements

#### Opinion

We have audited the consolidated financial statements of Africa Clean Energy Solutions Limited and its subsidiaries (the Group), and the Company's separate financial statements (the Company) on pages 54 to 124 which comprise the statements of financial position as at 30 June 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements on pages 54 to 124 give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## **AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of Africa Clean Energy Solutions Limited

### **Key audit matter for the Company and the Group**

#### **Recoverability of amounts receivable from related parties**

At 30 June 2020, amounts receivable from related parties amounted to USD 2.9m and USD 1.8m for the Company and the Group respectively.

The Company and the Group exercise significant judgement using subjective assumptions over both when and how much to record as impairment and estimation of the amount of impairment loss relating to amounts receivable from related parties. Since amounts receivable from related parties form a major portion of the Company's and the Group's assets and due to the significance of the judgements used in determining the related impairment loss requirements, this audit area is considered a significant key audit matter.

#### **Related disclosures**

Refer to note 12 of the accompanying financial statements.

#### **Audit response**

Our audit procedures included, amongst others:

- Obtained confirmations for amounts owed by related parties at the end of the reporting period;
- Ensured that the impairment methodology for the Company and the Group is consistent with the requirements of IFRS 9;
- Checked appropriateness of the Company's and the Group's determination of credit risk and expected credit loss

### **Key audit matter for the Group**

#### **Valuation of unlisted investments**

The Group's investments in unlisted securities amounted to USD 1.1m at 30 June 2020. We focussed on this area as a significant key audit matter due to the size of the balance and the inherent judgement involved in determining the fair value.

#### **Related disclosures**

Refer to note 9 of the accompanying financial statements.

## **AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of Africa Clean Energy Solutions Limited

### **Key audit matter for the Group (cont'd)**

#### **Audit response**

- We reviewed management's valuation and compared same to the independent valuation done for the purpose of acquisition, ensuring consistency of valuation methodology and concluded on the appropriateness of the valuation methodology.
- We assessed the reasonableness of the main inputs used in the valuation model.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information in the Annual Report (but does not include the Corporate Governance Report, the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Corporate governance report*

Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Company has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.

#### **Responsibilities of Directors and Those Charged with Governance for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Africa Clean Energy Solutions Limited

### **Responsibilities of Directors and Those Charged with Governance for the Financial Statements (cont'd)**

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

Those charged with governance are responsible for overseeing the Group and the Company's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Africa Clean Energy Solutions Limited

### **Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES  
INDEPENDENT AUDITORS' REPORT**

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To the Shareholders of Africa Clean Energy Solutions Limited

**Report on Other Legal and Regulatory Requirements**

***Companies Act 2001***

We have no relationship with, or interests in, the Company or any of its subsidiaries, other than in our capacity as auditors, business advisers and dealings in the ordinary course of business.

We have obtained all information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

**Other matter**

This report is made solely to the members of Africa Clean Energy Solutions Limited (the "Company"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**BDO & CO**  
*Chartered Accountants*



**Rookaya Ghanty, FCCA**  
Licensed by FRC

Port Louis,  
Mauritius

# STATEMENTS OF FINANCIAL POSITION

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Group		Company	
		2020 USD	2019 USD	2020 USD	2019 USD
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investments in subsidiary companies	7	-	-	417,815	-
Investments in associated companies	8	-	-	32	-
Financial assets at fair value through other comprehensive income	9	1,071,580	-	-	-
Property, plant and equipment	10	870	-	870	-
Goodwill	11	11,283	-	-	-
Amounts receivable from related parties	12	1,779,596	-	2,904,672	-
<b>Total non-current assets</b>		<b>2,863,329</b>	<b>-</b>	<b>3,323,389</b>	<b>-</b>
<b>Current assets</b>					
Amounts receivable from related parties	12	-	481,574	-	810,344
Other receivables	13	44,235	14,937	47,255	9,862
Cash and cash equivalents	14	26,844	4,549	1,575	1,398
<b>Total current assets</b>		<b>71,079</b>	<b>501,060</b>	<b>48,830</b>	<b>821,604</b>
<b>Total assets</b>		<b>2,934,408</b>	<b>501,060</b>	<b>3,372,219</b>	<b>821,604</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital	15	3,247,721	938,635	3,247,721	938,635
Equity component of convertible loan	16	32,995	32,083	32,995	32,083
Subscription monies received in advance	17	140,000	-	140,000	-
Foreign currency translation reserve		5,479	1,288	-	-
Accumulated losses		(1,745,607)	(871,198)	(1,175,450)	(288,216)
<b>Equity attributable to owners of the parent</b>		<b>1,680,588</b>	<b>100,808</b>	<b>2,245,266</b>	<b>682,502</b>
Non-controlling interest		(67,824)	(168,384)	-	-
<b>Total</b>		<b>1,612,764</b>	<b>(67,576)</b>	<b>2,245,266</b>	<b>682,502</b>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020 (CONTINUED)**

	Note	Group		Company	
		2020 USD	2019 USD	2020 USD	2019 USD
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	18	<u>389</u>	<u>1,329</u>	<u>389</u>	<u>1,329</u>
<b>Current liabilities</b>					
Borrowings	18	<u>13,232</u>	<u>6,588</u>	<u>13,232</u>	<u>6,588</u>
Accruals and payables	19	<u>1,128,841</u>	<u>197,969</u>	<u>955,075</u>	<u>129,888</u>
Amounts payable to related parties	20	<u>179,182</u>	<u>362,750</u>	<u>158,257</u>	<u>1,297</u>
		<u>1,321,255</u>	<u>567,307</u>	<u>1,126,564</u>	<u>137,773</u>
<b>Total liabilities</b>		<u>1,321,644</u>	<u>568,636</u>	<u>1,126,953</u>	<u>139,102</u>
<b>Total equity and liabilities</b>		<u>2,934,408</u>	<u>501,060</u>	<u>3,372,219</u>	<u>821,604</u>
Number of shares in issue		<b>29,115,770</b>	26,099,042	<b>29,115,770</b>	26,099,042
Net asset value per share		<b>0.0577</b>	0.0039	<b>0.0771</b>	0.0262

Approved by the Board of Directors and authorised for issue on 16 October 2020.



Director



Director

The notes on pages 63 to 124 form part of these financial statements.

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	Group		Company	
		2020 USD	2019 USD	2020 USD	2019 USD
<b>INCOME</b>					
Interest on loan		38,945	16,350	59,829	19,688
Exchange gain		20,879	-	22,586	-
Management fees		-	-	-	43,420
Gain on loss of control of subsidiary		89,916	-	-	-
		<u>149,740</u>	<u>16,350</u>	<u>82,415</u>	<u>63,108</u>
<b>EXPENDITURE</b>					
Professional fees		(109,526)	(242,897)	(109,026)	(233,117)
Audit fees		(39,045)	(24,686)	(29,425)	(18,000)
Directors' fees		(149,000)	(13,580)	(149,000)	(3,580)
Licence fees		(2,600)	(19,556)	(2,600)	(2,630)
Accounting fees		(41,868)	(4,507)	(42,498)	(2,100)
Legal fees		-	(97,094)	-	-
Interest expense	23	(26,186)	(36,716)	(4,077)	(3,013)
Bank charges		(3,282)	(4,377)	(2,436)	(3,534)
Consulting fees		(49,721)	(67,766)	(17,400)	(23,454)
Exchange losses		-	(5,688)	-	-
Goodwill written off		(601,968)	-	(601,968)	-
Share of loss of associated companies		(4,445)	-	-	-
Other operating expenses		(25,112)	(52,965)	(11,219)	(8,880)
		<u>(1,052,753)</u>	<u>(569,832)</u>	<u>(969,649)</u>	<u>(298,308)</u>
Loss before taxation		(903,013)	(553,482)	(887,234)	(235,200)
Taxation	6	-	-	-	-
<b>Loss for the year</b>		<u>(903,013)</u>	<u>(553,482)</u>	<u>(887,234)</u>	<u>(235,200)</u>



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

	Note	Group		Company	
		2020 USD	2019 USD	2020 USD	2019 USD
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Currency translation differences		4,255	7,375	-	-
<b>Total comprehensive loss for the year</b>		<b>(898,758)</b>	<b>(546,107)</b>	<b>(887,234)</b>	<b>(235,200)</b>
<b>Loss attributable to:</b>					
Non-controlling interests		(28,604)	(90,652)	-	-
Owners of the Company		(874,409)	(462,830)	(887,234)	(235,200)
		<b>(903,013)</b>	<b>(553,482)</b>	<b>(887,234)</b>	<b>(235,200)</b>
<b>Total comprehensive loss</b>					
Non-controlling interests		(28,540)	(90,393)	-	-
Owners of the Company		(870,218)	(455,714)	(887,234)	(235,200)
		<b>(898,758)</b>	<b>(546,107)</b>	<b>(887,234)</b>	<b>(235,200)</b>
					-
<b>Weighted average number of shares</b>		<b>27,115,240</b>	24,947,759	<b>27,115,240</b>	24,947,759
<b>Basic loss per share</b>	<b>24</b>	<b>(0.0322)</b>	(0.0186)	<b>(0.0327)</b>	(0.0094)

The notes on pages 63 to 124 form part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

**(a) GROUP**

	Stated capital USD	Equity component of convertible loan USD	Subscription monies received in advance USD	Foreign currency reserves USD	Accumulated losses USD	Equity attributable to owners of the company USD	Non- controll ing interest USD	Total Equity USD
Balance at 30 June 2018	180,423	32,390	-	(5,828)	(408,368)	(201,383)	(77,991)	(279,374)
Loss for the year	-	-	-	-	(462,830)	(462,830)	(90,652)	(553,482)
Other comprehensive income for the year	-	-	-	7,116	-	7,116	259	7,375
Issue of shares (Note 15)	758,212	-	-	-	-	758,212	-	758,212
Equity component of convertible loan (Note 16)	-	(307)	-	-	-	(307)	-	(307)
Balance at 30 June 2019	938,635	32,083	-	1,288	(871,198)	100,808	(168,384)	(67,576)

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

**(a) GROUP (CONTINUED)**

	Stated capital USD	Equity component of convertible loan USD	Subscription monies received in advance USD	Foreign currency reserves USD	Accumulated losses USD	Equity attributable to owners of the company USD	Non- controll ing interest USD	Total Equity USD
Loss for the year	-	-	-	-	(874,409)	(874,409)	(28,604)	(903,013)
Other comprehensive income for the year	-	-	-	4,191	-	4,191	64	4,255
Issue of shares (Note 15)	2,309,086	-	-	-	-	2,309,086	-	2,309,086
Equity component of convertible loan (Note 16)	-	912	-	-	-	912	-	912
Non controlling interest arising on business combination	-	-	-	-	-	-	101,716	101,716
Adjustment arising on loss of control of subsidiary	-	-	-	-	-	-	27,384	27,384
Subscription monies for shares (Note 17)	-	-	140,000	-	-	140,000	-	140,000
<b>Balance at 30 June 2020</b>	<b>3,247,721</b>	<b>32,995</b>	<b>140,000</b>	<b>5,479</b>	<b>(1,745,607)</b>	<b>1,680,588</b>	<b>(67,824)</b>	<b>1,612,764</b>

The notes on pages 63 to 124 form part of these financial statements.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

**(b) COMPANY**

	Stated capital USD	Equity component of convertible loan USD	Subscription monies received in advance USD	Accumulated losses USD	Total Equity USD
Balance at 30 June 2018	180,423	32,390	-	(53,016)	159,797
Loss and total comprehensive loss for the year	-	-	-	(235,200)	(235,200)
Issue of shares (Note 15)	758,212	-	-	-	758,212
Equity component of convertible loan (Note 16)	-	(307)	-	-	(307)
<b>Balance at 30 June 2019</b>	<b>938,635</b>	<b>32,083</b>	-	<b>(288,216)</b>	<b>682,502</b>
Loss and total comprehensive loss for the year	-	-	-	(887,234)	(887,234)
Issue of shares (Note 15)	2,309,086	-	-	-	2,309,086
Equity component of convertible loan (Note 16)	-	912	-	-	912
Subscription for shares (Note 17)	-	-	140,000	-	140,000
<b>Balance at 30 June 2020</b>	<b>3,247,721</b>	<b>32,995</b>	<b>140,000</b>	<b>(1,175,450)</b>	<b>2,245,266</b>

The notes on pages 63 to 124 form part of these financial statements.

# STATEMENTS OF CASH FLOWS

## AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Notes	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
<b>Cash flows from operating activities</b>				
Loss for the year	(903,013)	(553,482)	(887,234)	(235,200)
<i>Adjustment:</i>				
Interest income	(38,945)	(16,350)	(59,829)	(19,688)
Interest expense	26,186	36,716	4,077	3,013
Exchange differences	(18,534)	5,688	(22,586)	-
Depreciation	229	-	229	-
Goodwill written off	601,968	-	601,968	-
Share of loss of associated companies	4,445	-	-	-
Gain on loss of control of subsidiary	(89,916)	-	-	-
<i>Charges in working capital:</i>				
Increase in receivables and	(32,861)	(2,342)	(37,393)	(999)
Increase in accruals and payables	179,581	104,478	193,134	102,601
Interest paid	-	(32,981)	-	-
<b>Net cash used in operating activities</b>	<b>(270,859)</b>	<b>(458,273)</b>	<b>(207,634)</b>	<b>(150,273)</b>
<b>Cash flows from investing activities</b>				
Loan granted to related parties	(193,420)	(301,863)	(254,523)	(659,950)
Net cash acquired on acquisition of subsidiaries	29 24,240	-	-	-
<b>Net cash used in investing activities</b>	<b>(169,180)</b>	<b>(301,863)</b>	<b>(254,523)</b>	<b>(659,950)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary shares	309,086	757,794	309,086	757,794
Subscription monies received in advance	17 140,000	-	140,000	-
Loan received from related parties	13,248	(48,532)	13,248	-
Loans received from directors	-	-	-	1,297
<b>Net cash generated from financing activities</b>	<b>462,334</b>	<b>709,262</b>	<b>462,334</b>	<b>759,091</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22,295</b>	<b>(50,874)</b>	<b>177</b>	<b>(51,132)</b>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020 (CONTINUED)**

Notes	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
<b>Movement in cash and cash equivalents</b>				
<b>At start of year</b>	<b>4,549</b>	55,423	<b>1,398</b>	52,530
<b>Increase/(decrease)</b>	<b>22,295</b>	(50,874)	<b>177</b>	(51,132)
<b>At end of year</b>	<b>26,844</b>	4,549	<b>1,575</b>	1,398

The principle non cash transaction relates to the issue of shares as consideration for the acquisition of the assets and liabilities of South Africa Clean Energy Solutions Limited as detailed in note 29.

The notes on pages 63 to 124 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## **AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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### **1. GENERAL INFORMATION**

Africa Clean Energy Solutions Limited was incorporated in the Republic of Mauritius on 8 December 2017 under the Companies Act 2001 as a private company limited by shares. The Company has, by special resolution, converted itself into a public company on 7 March 2018. The Company holds a Category 1 Global Business Licence issued by the Financial Services Commission.

The Company, through its subsidiary companies, is a clean energy solutions provider. The Company is listed on the Official Market of the Stock Exchange of Mauritius Ltd ("SEM") as from 31 May 2019. The Company is regulated by the Financial Services Commission in Mauritius.

### **2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

In the current year, the Group and the Company have applied all of the new and revised relevant Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 July 2019.

#### **2.1 New and amended IFRS Standards that are effective for the current year**

IFRS 16 Leases results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. The standard had no impact on the Group's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. There are no new disclosure requirements but requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation had no impact on the Group's financial statements.

Prepayment features with negative compensation (Amendments to IFRS 9) enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model. The amendments have no impact on the Group's financial statements.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)**

**2.1 New and amended IFRS Standards that are effective for the current year (continued)**

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 before applying the loss allocation and impairment requirements in IAS 28. The amendments have no impact on the Group's financial statements

***Annual Improvements to IFRS Standards 2015–2017 Cycle***

- IFRS 3 – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.
- IFRS 11 – clarified that party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.
- IAS 12 – clarified that income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.
- IAS 23 – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments have no impact on the Group's financial statements

Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) clarify that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change
- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling
- separately recognise any changes in the asset ceiling through other comprehensive income.

The amendments have no impact on the Group's financial statements

**2.2 Standards, Amendments to published Standards and Interpretations issued but not yet effective**

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after 1 January 2020 or later periods, but which the Group has not early adopted. Where relevant, the Group is still evaluating the effect of these Standards, Amendments to published Standards and Interpretations, on the presentation of its financial statements.



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020****2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)****2.2 Standards, Amendments to published Standards and Interpretations issued but not yet effective (continued)**

At the reporting date of these financial statements, the following were in issue but not yet effective:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRS 17 Insurance Contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Annual Improvements 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Covid-19-Related Rent Concessions (Amendment to IFRS 16)
- Amendments to IFRS 17
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

**3. SIGNIFICANT ACCOUNTING POLICIES****3.1 Basis of preparation**

The financial statements of Africa Clean Energy Solutions Limited comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The preparation of financial statements in accordance with IFRS requires the directors to exercise their judgement in the process of applying the Group's accounting policies. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree judgement or complexity are disclosed in Note 4.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1 Basis of preparation (continued)**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

**3.1.1 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of preparation (continued)****3.1.1 Basis of consolidation (continued)**

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with the Group's accounting policies. All intra group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Changes in the Group's ownership interests in existing subsidiary**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of preparation (continued)****3.1.1 Basis of consolidation (continued)****Changes in the Group's ownership interests in existing subsidiary (continued)**

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, Financial Instruments, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of preparation (continued)****3.1.1 Basis of consolidation (continued)****Business combinations (continued)**

If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1 Basis of preparation (continued)**

**3.1.1 Basis of consolidation (continued)**

**Business combinations (continued)**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**3.1.2 Investment in subsidiary companies**

The subsidiary is the entity over which the group has an interest of more than half of voting rights or otherwise has the power to govern the financial and operating policies of the entity. The existence and effect of potential rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Investment in subsidiary is initially recognised at cost. The carrying amount is reduced to recognise any impairment in the value of the investment.

Any impairment and proportionate provision are recognised when the net asset value is negative.

On disposal of the investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the consolidated statement of profit or loss and other comprehensive income.

*Transactions eliminated on consolidation*

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of the subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.1 Basis of preparation (continued)**

**3.1.3 Investment in associated companies**

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the statements of profit or loss and other comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the statements of profit or loss and other comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the statements of profit or loss and other comprehensive income.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments**

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

**Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Financial instruments (continued)****Financial assets (continued)***Classification of financial assets (continued)*

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost are measured at FVTPL. Specifically, investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

(iii) Financial assets at fair value through other comprehensive income (FVTOCI)

The Group has some investments in unlisted entities which are not accounted for as subsidiaries, associates or joint ventures. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve (fair value reserve). Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**Financial assets (continued)**

*Classification of financial assets (continued)*

(iii) Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments' carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

*Impairment of financial assets*

The Group recognises a loss allowance for expected credit losses on other receivables and amounts receivable from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort. Forward looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**Significant increase in credit risk (continued)**

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**Significant increase in credit risk (continued)**

Credit impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- i. significant financial difficulty of the issuer or the borrower;
- ii. a breach of contract, such as a default or past due event (see (ii) above);
- iii. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- iv. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- v. the disappearance of an active market for that financial asset because of financial difficulties.

Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**Significant increase in credit risk (continued)**

Measurement and recognition of expected credit losses (continued)

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**Financial liabilities and equity**

*Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**Financial liabilities**

The financial liabilities at amortised cost, including loans and other payables, are initially measured at fair value, net of transaction costs.

The financial liabilities of the Company are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.2 Financial instruments (continued)**

**Financial liabilities (continued)**

*Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

**3.3 Borrowings**

Borrowings are classified as current liabilities unless the Company and Group have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

**3.4 Convertible loan**

The liability component of convertible loan is recognised at fair value. The equity component is recognised initially at the difference between the fair value of the instrument as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component is measured at amortised cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition except on conversion or expiry.

**3.5 Stated capital**

Stated capital comprises ordinary shares.



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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.6 Current and deferred income tax**

Tax expense comprises of current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

**3.7 Impairment of assets**

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.7 Impairment of assets (continued)**

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**3.8 Provisions and contingencies**

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses. If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.8 Provisions and contingencies (continued)**

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

**3.9 Segmental policies**

A segment is a distinguishable component that is engaged in providing services (business segment) or in providing services within a particular economic environment (geographic segment), which is subject to risks and returns that are different from those of other segments. The Group and Company's primary segment is based on business segments.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the board. The board reviews the Group's and Company's internal reporting in order to assess performance. Management has determined the operating segments based on these reports.

Segment results include revenue and expenses directly attributable to a segment and the relevant portion of the Group's and Company's revenue and expenses that can be allocated on a reasonable basis to a segment. Segmental assets comprise those assets that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Related parties**

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if they have the ability, directly or indirectly, to control or jointly-control the Group or exercise significant influence over the Group in making financial and operating decisions, or vice-versa, or where the Group is subject to common control or common significant influence or where the party is a member of the key management personnel of the Group. Related parties may be individuals or other entities.

**3.11 Cash and cash equivalents**

Cash and cash equivalents include cash at bank.

**3.12 Expense recognition**

Expenses are accounted for in the profit or loss on the accrual basis.

**3.13 Foreign currencies translation**

**Functional and presentation currency**

The financial statements are presented in USD which is the Group's and the Company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit or loss statement within 'Other (losses)/gains – net'.

Changes in the fair value of monetary financial assets and liabilities are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.13 Foreign currencies translation (continued)**

**Transactions and balances (continued)**

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

*Foreign currency translations*

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

*Group companies*

The results and financial position of all the group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate at each reporting date.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020****3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.14 IFRS 15 Revenue from Contracts with Customers and other revenue**

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group and the Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 July 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group and the Company elected to apply the standard to all completed contracts that begin and end within the same reporting period.

The cumulative effect of initially applying IFRS 15 was recognised at the date of initial application as an adjustment to the opening balance of retained earnings.

*Presentation and disclosure requirements*

The presentation and disclosure requirements in IFRS 15 are more detailed than under IAS 18. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Group's and Company's financial statements.

Many of the disclosure requirements in IFRS 15 are new and the Group and the Company have assessed that the impact of some of these disclosures requirements will not be significant as the Company and its subsidiaries have not yet started generating revenue.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 IFRS 15 Revenue from Contracts with Customers and other revenue (continued)**

**Other revenue**

Other revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue is recognised in profit or loss as follows:

- Dividend income - when the shareholder's right to receive payment is
- Interest income – is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance)

**3.15 Property, plant and equipment**

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one period.

*Recognition*

Property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

*Initial measurement*

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost.

The cost of an item of property, plant and equipment includes:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.15 Property, plant and equipment (continued)**

*Subsequent measurement - Cost model*

After initial recognition, property, plant and equipment is measured at cost less any accumulated depreciation and any accumulated impairment losses.

*Depreciation*

Depreciation of an asset commences when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale, or the date that the asset is derecognised.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The depreciable amount of an asset is determined after deducting its residual value.

Residual values, useful lives and depreciation methods are reviewed at each financial year end. Where there are significant changes in the expected pattern of economic consumption of the benefits embodied in the asset, the relevant changes will be made to the residual values and depreciation rates, and the change will be accounted for as a change in accounting estimate.

The measurement base, useful life or depreciation rate as well as the depreciation method for all major classes of assets are as follows:

	Depreciation Method	Useful life
Computer equipment	Straight line	3 years
Fixtures and fittings	Straight line	3 years
Office equipment	Straight line	3 years



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.16 Intangible asset**

An intangible asset is an identifiable non-monetary asset without physical substance. The asset is determined to be identifiable if it either is separable, or arises from contractual or other legal rights.

*Recognition*

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

*Initial measurement*

Intangible assets are initially measured at cost.

Goodwill arising on a business combination is carried at cost as established at the date of acquisition (see note 3.1.1) less accumulated impairment losses, if any.

Internally generated goodwill is not recognised as an asset.

The cost of assets acquired through an exchange of assets is measured at fair value at acquisition date unless the exchange lacks commercial substance, or the fair value of neither the asset received nor the asset given up is reliably measurable. The acquired asset is immediately measured in this way even if the asset given up cannot immediately be derecognised. If the acquired asset is not measured at fair value, its cost is measured using the carrying amount of the asset given up.

Expenditure on an intangible asset is recognised as an expense when it is incurred unless it is part of the cost of an intangible asset that meets the recognition criteria or if the item is acquired in a business combination and cannot be recognised as an intangible asset it is recognised as part of goodwill at the acquisition date. Expenditure on an intangible item that was initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

*Subsequent measurement - Cost model*

After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.16 Intangible asset (continued)**

*Amortisation*

An intangible asset is regarded by the entity as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Intangible assets with an indefinite useful life are not amortised, but is tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. The intangible asset's determination as having an indefinite useful life is also reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment. Reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired.

For other intangible assets amortisation is allocated on a systematic basis over its useful life. Where an intangible asset has a residual value, the depreciable amount is determined after deducting its residual value.

The residual values of intangibles assets are assumed zero unless:

- there is a commitment by a third party to purchase the asset at the end of its useful life; or
- there is an active market for the asset and
- residual value can be determined by reference to that market; and
- it is probable that such a market will exist at the end of the asset's useful life.

Residual values as well as the useful lives of all assets are reviewed annually. Changes in residual values are treated as a change in estimate and treated in accordance with the relevant accounting policies.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

In the process of applying the Company's accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

The following are the key assumptions and judgements concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Fair value estimation**

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined by using valuation techniques. The group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

**Impairment of financial assets**

The loss allowance for financial assets are based on assumptions about risk of default and expected loss rates. The Group and the Company use judgement in making these assumptions and in selecting inputs to the impairment calculation such as determining criteria for significant increase in credit risk, choosing the appropriate model for the measurement of expected credit loss and forward looking information, based on the Group's and the Company's past history, listing market conditions.

**Limitation of sensitivity analysis**

Sensitivity analysis in respect of market risk demonstrates the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and the other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts should not be interpolated or extrapolated from these results. Sensitivity analysis does not take into consideration that the Group's and the Company's assets and liabilities are managed. Other limitations include the use of hypothetical market movements to demonstrate potential risks that only represent the Group's and Company's view of possible near-term market changes that cannot be predicted with any certainty.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**Taxation**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

**Asset lives and residual values**

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. Consideration is also given to the extent of current profits and losses on the disposal of similar assets.

**Depreciation policies**

Property, plant and equipment are depreciated to their residual values over their estimated useful lives. The residual value of an asset is the estimated net amount that the Group/Company would currently obtain from disposal of the asset, if the asset were already of the age and condition expected at the end of its useful life.

The directors therefore make estimates based on historical experience and use best judgement to assess the useful lives of assets and to forecast the expected residual values of the assets at the end of their expected useful lives.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**Estimated impairment of goodwill**

The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3.16. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 11).

**5. FINANCIAL RISK MANAGEMENT**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

*Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's and the Company's loan receivables, other receivables and cash and cash equivalents. The Group and Company only deposit cash with major banks with high quality credit standing and limits exposure to any one counterparty.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(a) Credit risk (continued)

Financial assets exposed to credit risk at year end were as follows:

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Amounts receivable from related parties	1,779,596	481,574	2,904,672	810,344
Other receivables	831	3,295	3,852	538
Cash and cash equivalents	26,844	4,549	1,575	1,398
	<b>1,807,271</b>	<b>489,418</b>	<b>2,910,099</b>	<b>812,280</b>

The Group only advances funds to creditworthy counterparties. Receivables that are neither past due nor impaired are counterparties with a good collection track records with the Group. Cash and bank balances are held with creditworthy financial institutions.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's approach to managing liquidity is to ensure that they will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Group's and Company's reputation. The Group and the Company have net current liabilities of **USD 1,250,176** (2019: USD 66,247) and **USD 1,077,734** respectively. The Company being a listed entity, the directors are of the opinion that the financial position of the Group will improve through future capital raise on the market.

The following are the contractual maturities of non-derivative financial liabilities:

	Group			Company		Total
	Within one year	More than one year	Total	Within one year	More than one year	
	USD	USD	USD	USD	USD	USD
<b>At 30 June 2020</b>						
Accruals and payables	1,128,841	-	1,128,841	955,075	-	955,075
Amount payable to related parties	179,182	-	179,182	158,257	-	158,257
Borrowings	20,237	389	20,626	20,237	389	20,626
	<b>1,328,260</b>	<b>389</b>	<b>1,328,649</b>	<b>1,133,569</b>	<b>389</b>	<b>1,133,958</b>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(b) Liquidity risk (continued)

	Within one year USD	Group More than one year USD	Total USD	Within one year USD	Company More than one year USD	Total USD
<b>At 30 June 2019</b>						
Accruals and payables	197,969	-	197,969	129,888	-	129,888
Amount payable to related parties	362,750	-	362,750	1,297	-	1,297
Borrowings	<u>14,505</u>	<u>1,329</u>	<u>15,834</u>	<u>14,505</u>	<u>1,329</u>	<u>15,834</u>
	<u>575,224</u>	<u>1,329</u>	<u>576,553</u>	<u>145,690</u>	<u>1,329</u>	<u>147,019</u>

(c) Fair value estimation

The fair values of those financial assets and liabilities not presented on the Group's and the Group's statements of financial position at their fair values are not materially different from their carrying amounts.

(d) Market risk

Market risk represents the potential loss that can be caused by a change in the market value of financial instruments. The Group's and the Company's exposure to market risk is determined by a number of factors, including interest rates, foreign currency exchange rates and market volatility. The Group and the Company conducts its investment operations in a manner that seeks to exploit the potential gains in the market, while limiting its exposure to market declines.

(i) Interest rate risk

Cash flow and fair value interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(d) Market risk (continued)

(i) Interest rate risk (continued)

At 30 June 2020, the Group and the company are exposed to variable interest rate on its loan with related parties and loans payable on convertible loan. At the reporting date the interest rate profile of the Group's and the Company's interest-bearing financial instruments were:

	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
<b>Financial assets</b>				
Non- interest bearing	<b>4,534</b>	7,844	<b>453,897</b>	1,935
Variable interest rate instruments	<b>1,775,894</b>	460,628	<b>1,780,428</b>	789,695
	<b>1,780,428</b>	468,472	<b>2,234,325</b>	791,630
<b>Financial liabilities</b>				
Non-interest bearing	<b>1,153,269</b>	194,136	<b>958,578</b>	126,055
Variable interest rate instruments	<b>168,375</b>	333,951	<b>168,375</b>	9,214
	<b>1,321,644</b>	528,087	<b>1,126,953</b>	135,269

*Interest rate risk sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rates at the reporting date. A 50 basis point increase or decrease is used when reporting interest rate risk.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's and Company's loss for the year ended 30 June 2020 would have decreased by **USD 1,633** and **USD 2,225** respectively (2019 loss increased: Group – USD 633 and Company – USD 3,902). This is mainly attributable to the Group's and Company's exposure to interest rates on variable rate of interest instruments.

(ii) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency risk, as defined in IFRS 7, arises as the value of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign exchange risk.



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(d) Market risk (continued)

(ii) Currency risk (continued)

The Group has financial assets and financial liabilities in a currency other than the USD, its reporting currency. The Group is exposed to foreign exchange risk arising due to fluctuations of the USD vis-à-vis the other currency.

*Currency profile*

**2020**

	<b>GROUP</b>	
	<b>Financial assets</b>	<b>Financial liabilities</b>
	<b>USD</b>	<b>USD</b>
Pound Sterling (GBP)	<b>3,701</b>	-
Ugandan Shillings (UShs)	-	<b>8,130</b>
US Dollar (USD)	<b>168,197</b>	<b>379,646</b>
South African Rand (ZAR)	<b>1,545,304</b>	<b>793,712</b>
Namibian Dollar (NAD)	-	<b>140,156</b>
	<b>1,717,202</b>	<b>1,321,644</b>

*Currency profile*

**2020**

	<b>COMPANY</b>	
	<b>Financial assets</b>	<b>Financial liabilities</b>
	<b>USD</b>	<b>USD</b>
Pound Sterling (GBP)	-	-
US Dollar (USD)	<b>913,176</b>	<b>333,242</b>
South African Rand (ZAR)	<b>1,545,304</b>	<b>793,712</b>
Namibian Dollar (NAD)	<b>450,044</b>	-
	<b>2,908,524</b>	<b>1,126,954</b>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

(d) Market risk (continued)

(ii) Currency risk (continued)

*Currency profile*

2019

	<b>GROUP</b>	
	<b>Financial assets</b>	<b>Financial liabilities</b>
	<b>USD</b>	<b>USD</b>
Pound Sterling (GBP)	20,038	106,592
Kenya Shillings (KES)	60,071	282,227
Uganda Shillings (UShs)	11,858	40,714
US Dollar (USD)	397,451	139,103
	<b>489,418</b>	<b>568,636</b>

*Currency profile*

2019

	<b>COMPANY</b>	
	<b>Financial assets</b>	<b>Financial liabilities</b>
	<b>USD</b>	<b>USD</b>
Pound Sterling (GBP)	-	-
Kenya Shillings (KES)	-	-
Uganda Shillings (UShs)	-	-
US Dollar (USD)	812,280	139,103
	<b>812,280</b>	<b>139,103</b>

At 30 June 2020, had the exchange rate between Pound Sterling and US Dollar, Kenya Shillings and US Dollar and Uganda Shillings and US Dollar, South African Rand and US Dollar and Namibian Dollar and US Dollar increased or decreased by 10% with all other variables held constant, there would have been an equal and opposite impact on profit and in net assets attributable to shareholders as follows:

	<b>GROUP</b>	
	<b>2020</b>	<b>2019</b>
<b>Impact on profit and net assets attributable to shareholders:</b>	<b>USD</b>	<b>USD</b>
Pound Sterling	<b>337</b>	(8,655)
Kenya Shillings	-	(22,216)
Uganda Shillings	<b>(739)</b>	(2,886)
South African Rand	<b>68,326</b>	-
Namibian Dollar	<b>(12,741)</b>	-

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**5. FINANCIAL RISK MANAGEMENT (CONTINUED)**

- (d) Market risk (continued)
- (ii) Currency risk (continued)

	COMPANY	
	2020	2019
<b>Impact on profit and net assets attributable to shareholders:</b>	<b>USD</b>	<b>USD</b>
South African Rand	<b>68,326</b>	-
Namibian Dollar	<b>40,913</b>	-

**6. TAXATION**

The Company is subject to tax at the rate of 15%. Being incorporated post 16 October 2017, the provisions relating to the new tax regime will apply. Under the new tax regime and subject to meeting the necessary substance requirements as required under the Financial Services Act 2007 (as amended by the Finance Act 2018) and such guidelines issued by the FSC, the Company is entitled to either (a) a foreign tax credit equivalent to the actual foreign tax suffered on its foreign income against the Company's tax liability computed at 15% on such income, or (b) a partial exemption of 80% of some of the income derived, including but not limited to foreign source dividends or interest income.

In respect of Africa Clean Energy Solutions (ACES) Limited, incorporated in England, due to changes in the UK Corporation tax rate enacted as part of the Finance Bill 2015 on 24 March 2015, the main rate was reduced to 19% from 1 April 2017 and to 18% from 1 April 2020. A further reduction in the main rate of corporation tax to 17% with effect from 1 April 2020 was substantively enacted on 6 September 2016 as part of the Finance Bill 2016.

In respect of the companies incorporated in Kenya (namely Tana Biomass Generation Limited and Tana Solar Limited) and Uganda (namely Unergy Limited), profits are subject to company tax at 30% and for the company incorporated in Namibia (namely Africa Renewable Clean Power (Pty) Limited), profits are subject to company tax at 32%. In respect of companies incorporated in Zambia (namely VFU - Clean Energy Limited), profits are subject to company tax at 35%. In respect of companies incorporated in South Africa (namely SACE Projects (Pty) Limited and SAFEPOD (Pty) Limited), profits are subject to company tax at 28%. The current estimated tax loss is available for set off against future taxable income. No deferred tax asset is recognised as currently there are no profits to offset the current estimated tax loss.

As at 30 June 2020, the Group and the Company had a tax loss of **USD 386,121** and **USD 285,266** respectively (2019: USD 736,724 and USD 263,705) and therefore has no tax liability.

The tax loss for the Company amounting to USD 285,266 (2019: USD 263,705) is subject to a five years limitation and will expire in 2025 (2019: 2024).

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**6. TAXATION (CONTINUED)**

Tax losses available for net off against future taxable profit of the Group/Company are as follows:

<b>2020</b>	<b>Group USD</b>	<b>Company USD</b>
<b>Tax losses</b>	<b><u>(386,121)</u></b>	<b><u>(285,266)</u></b>
<b>2019</b>		
Tax losses	<u>(736,724)</u>	<u>(263,705)</u>

A numerical reconciliation between the operating profit for the year and the actual income tax charge is shown below:

**Reconciliation between accounting profit and tax expense**

	<b>Group</b>		<b>Company</b>	
	<b>2020 USD</b>	<b>2019 USD</b>	<b>2020 USD</b>	<b>2019 USD</b>
Loss before taxation	<b><u>(903,013)</u></b>	<u>(553,482)</u>	<b><u>(887,234)</u></b>	<u>(235,200)</u>
Tax calculated (15%)	<b>(135,452)</b>	(83,022)	<b>(133,085)</b>	(35,280)
Expenses not deductible for tax purposes	<b>90,426</b>	3,094	<b>90,330</b>	3,094
Unutilised tax losses brought forward	<b>67,968</b>	127,202	<b>42,755</b>	32,186
Tax rate differentials	<b><u>(22,973)</u></b>	<u>(47,274)</u>	<u>-</u>	<u>-</u>
Tax charge	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

No deferred tax asset has been recognised in respect of the tax losses due to unpredictability of future profit streams.

Following the Finance Act 2018, all companies categorised as Category 1 Global Business Licence will be now licensed as Global Business Licence. Effective as from January 2019, deemed Foreign Tax Credit regime available to GBC 1 companies will be abolished. There will be an introduction of an 80% exemption regime on the following income:

- (i) Foreign dividend, subject to amount not allowed as deduction in source country.
- (ii) Foreign source interest derived by a Company other than a bank.
- (iii) Profit attributable to a permanent establishment of a resident company in foreign country.
- (iv) Foreign source income derived by a Collective Investment Scheme ("CIS"), Closed-End Funds, CIS Manager, CIS Administrator, Investment Adviser or Asset Manager licensed or approved by the Financial Services Commission ("FSC").
- (v) Income derived by companies engaged in ship and aircraft leasing.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**7. INVESTMENTS IN SUBSIDIARY COMPANIES**

	<b>Company</b>	
	<b>2020</b>	2019
	<b>USD</b>	USD
At start of year	<b>0.03</b>	0.03
Acquisition through business combinations	<b>272,925</b>	-
Equity portion of loan	<b>144,890</b>	-
At end of year	<b>417,815</b>	0.03

Details of the subsidiary companies are as follows:

<b>2020</b>	<b>Class of shares held</b>	<b>Year end</b>	<b>Nature of business</b>	<b>% Holding</b>		<b>Country of incorporation and operation</b>
				<b>Direct</b>	<b>Indirect</b>	
<b>Name</b>						
Africa Clean Energy Solutions (ACES) Limited	Ordinary	30 June	Investment Holding	100%	-	England
Africa Renewable Clean Power (Pty) Limited	Ordinary	30 June	Renewable Energy	72%	-	Namibia
SA Clean Energy Finance (Pty) Limited	Ordinary	30 June	Renewable Energy	100%	-	South Africa
Tana Biomass Generation Limited	Ordinary	30 June	Renewable Energy	-	70%	Kenya
Tana Solar Limited	Ordinary	30 June	Renewable Energy	-	70%	Kenya
VFU - Clean Energy Limited	Ordinary	30 June	Renewable Energy	-	70%	Zambia
<b>2019</b>	<b>Class of shares held</b>	<b>Year end</b>	<b>Nature of business</b>	<b>% Holding</b>		<b>Country of incorporation and operation</b>
<b>Name</b>				<b>Direct</b>	<b>Indirect</b>	
Africa Clean Energy Solutions (ACES) Limited	Ordinary	30 June	Investment Holding	100%	-	England
Tana Biomass Generation Limited	Ordinary	30 June	Renewable Energy	-	70%	Kenya
Tana Solar Limited	Ordinary	30 June	Renewable Energy	-	70%	Kenya
Unergy Limited	Ordinary	30 June	Renewable Energy	-	75%	Uganda
VFU - Clean Energy Limited	Ordinary	30 June	Renewable Energy	-	70%	Zambia

During 2020, Africa Clean Energy Solutions Limited disposed of 35% of its investment in Unergy Limited and acquired 100% in SA Clean Energy Finance (Pty) Limited and 72% of Africa Renewable Clean Power (Pty) Limited (see note 29).

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)**

**Subsidiaries with material non-controlling interests**

Details for subsidiaries that have non-controlling interest that are material to the entity:

	Loss allocated to non-controlling interest during the period USD	Accumulated non-controlling interest at 30 June USD
<b>2020</b>		
Africa Renewable Clean Power (Pty) Limited	(682)	101,098
Tana Biomass Generation Limited	(26,419)	(168,922)
Unergy Limited	(1,503)	-
	<u>(28,604)</u>	<u>(67,824)</u>
<b>2019</b>		
Tana Biomass Generation Limited	(75,141)	(142,631)
Unergy Limited	(15,512)	(25,753)
	<u>(90,653)</u>	<u>(168,384)</u>

**Summarised financial information on subsidiaries with material non-controlling interests**

Summarised statement of financial position

	Current assets USD	Non-current assets USD	Current liabilities USD	Non-current liabilities USD
<b>2020</b>				
Africa Renewable Clean Power (Pty) Limited	24,573	1,071,580	140,148	594,934
Tana Biomass Generation Limited	766	63,226	38,156	589,335
	<u>25,339</u>	<u>1,134,806</u>	<u>178,304</u>	<u>1,184,269</u>
<b>2019</b>				
Unergy Limited	11,858	-	114,871	-
Tana Biomass Generation Limited	60,071	-	535,507	-
	<u>71,929</u>	<u>-</u>	<u>650,378</u>	<u>-</u>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)**

Summarised statement of profit or loss and other comprehensive income

	Loss from operations USD	Other comprehensive income USD	Total comprehensive loss USD	Dividend paid to non-controlling interest USD
<b>2020</b>				
Africa Renewable Clean Power (Pty) Limited	(2,435)	230	(2,205)	-
Unergy Limited	(6,013)	-	(6,013)	-
Tana Biomass Generation Limited	(88,063)	-	(88,063)	-
	<b>(96,511)</b>	<b>230</b>	<b>(96,281)</b>	<b>-</b>
<b>2019</b>				
Unergy Limited	(62,046)	-	(65,762)	-
Tana Biomass Generation Limited	(250,470)	-	(246,509)	-
	<b>(312,516)</b>	<b>-</b>	<b>(312,271)</b>	<b>-</b>

Summarised cash flow information

	Operating activities USD	Investing activities USD	Financing activities USD	Net increase/ (decrease) in cash and cash equivalents USD
<b>2020</b>				
Africa Renewable Clean Power (Pty) Limited	263	24,234	-	24,497
Unergy Limited	(7,055)	-	6,229	(826)
Tana Biomass Generation Limited	(56,068)	-	56,351	283
	<b>(62,860)</b>	<b>24,234</b>	<b>62,580</b>	<b>23,954</b>
<b>2019</b>				
Unergy Limited	(99,418)	15,608	84,637	827
Tana Biomass Generation Limited	(199,768)	(4,413)	204,181	-
	<b>(299,186)</b>	<b>11,195</b>	<b>288,818</b>	<b>827</b>

The summarised financial information above is the amount before intra-group elimination.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**7. INVESTMENTS IN SUBSIDIARY COMPANIES (CONTINUED)**

**Loss of control of subsidiary**

In the prior year, the Company held a 75% indirect investment in Unergy Limited and accounted for the investment as a subsidiary. In September 2019, the Group disposed of 35% interest to a third party for the proceeds of USD 3,801. The Company has accounted for the remaining 40% indirect investment as an associate.

The transaction resulted in the recognition of a gain in profit or loss calculated as follows:

	<b>2020</b>
	<b>USD</b>
Proceeds of disposal	<b>3,801</b>
Plus: Fair value of investment retained (40%)	<b>4,344</b>
Add: Non-controlling interest previously recognised as a subsidiary	<b>(27,256)</b>
Less: Net assets at date of disposal	<b>109,027</b>
Gain recognised	<b>89,916</b>

**8. INVESTMENTS IN ASSOCIATED COMPANIES**

	<b>Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
At start of year	-	-
Additions	<b>32</b>	-
At end of year	<b>32</b>	-

The results of the following associates have been included in the consolidated financial statements:

	<b>% holding</b>	<b>Year end</b>
SACE Projects (Pty) Limited	49.9%	30 June
SAFEPOD (Pty) Limited	49%	30 June
Unergy Limited	40%	30 June
	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
At start of year	-	-
Additions	32	-
Reclassification from investment in subsidiary following partial disposal of subsidiary	4,413	-
Share of loss after tax and non-controlling interest	<b>(4,445)</b>	-
	-	-



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**8. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)**

Details of each of the material associates at the end of the reporting period are as follows:

Name	Class of shares held	Nature of business	% Holding		Country of incorporation and operation
			Direct	Indirect	
SACE Projects (Pty) Limited	Ordinary	Renewable Energy	49.9%	-	South Africa
SAFEPOD (Pty) Limited	Ordinary	Infrastructure installation	49%	-	South Africa
Unergy Limited	Ordinary	Renewable Energy	-	40%	Uganda

All of the above associates are accounted for using the equity method. The financial year end of all the associated companies is 30 June.

**Summarised financial information**

Summarised statement of profit or loss and other comprehensive income

	Loss from operations USD	Other comprehensive income USD	Total comprehensive loss USD	Dividends received during the year USD
<b>2020</b>				
SACE Projects (Pty) Limited	(34,264)	116,017	81,753	-
SAFEPOD (Pty) Limited	(6,393)	(201)	(6,594)	-
Unergy Limited	(49,950)	-	(49,950)	-
	<b>(90,607)</b>	<b>115,816</b>	<b>(25,209)</b>	<b>-</b>

The summarised financial information for Unergy Limited and SACE Projects (Pty) Limited above represents the proportion of the amounts showing in the associates financial statements prepared in accordance with IFRS that the company became an associated company of the group.

Summarised statement of financial position

	Current assets USD	Non-current assets USD	Current liabilities USD	Non-current liabilities USD
<b>2020</b>				
SACE Projects (Pty) Limited	-	1,769,272	(322,203)	(1,545,304)
SAFEPOD (Pty) Limited	208,839	-	(215,377)	-
Unergy Limited	13,023	-	(69,276)	(96,710)
	<b>221,862</b>	<b>1,769,272</b>	<b>(606,856)</b>	<b>(1,642,014)</b>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**8. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)**

The summarised financial information above for Uenergy Limited and SACE Projects (Pty) Limited represents amounts shown in the associates financial statements prepared in accordance with IFRS. The financial information above for SAFEPOD (Pty) Limited was prepared in accordance with IFRS.

Share of loss not recognised amounted to USD 80,149 (2019: USD Nil).

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
<b>Unlisted Investments</b>				
NCF Energy (Pty) Limited	535,790	-	-	-
Tandii Investments (Pty) Limited	535,790	-	-	-
	<b>1,071,580</b>	-	-	-

Both companies are incorporated in Namibia, and they each hold an electricity generating licence with Nampower for 5.0 MW Solar PV plant.

**Movement of unlisted investment**

	Group		Company	
	2020	2019	2020	2019
	USD	USD	USD	USD
Balance at 1 July	-	-	-	-
Acquired through business combination	1,071,580	-	-	-
Balance at 30 June	<b>1,071,580</b>	-	-	-

The above financial assets are accounted for in Namibian Dollars. At 30 June 2020, had the exchange rate between Namibian Dollar and US Dollar increased or decreased by 10% with all other variables held constant, there would have been an equal and opposite impact on profit and in net assets attributable to shareholders as follows:

	GROUP	
	2020	2019
	USD	USD
<b>Impact on profit and net assets attributable to shareholders:</b>		
Namibian Dollar	97,417	-

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**

The investments in NCF Energy (Pty) Limited and Tandii Investments (Pty) Limited have been evaluated using the Dividend Discount Model (“DDM”) based on the cash flows and dividend projections. Both projects are expected to generate identical cash flows since they are based on identical business models with identical clients and operate in the same region. With a holding of only 15% each in company, the DDM is appropriate since it assumes a minority perspective.

We have used a cost of equity of 10.4% as our discount rate for the DDM. The cost of equity has been estimated using a US risk free rate, as adjusted for local specificities using Namibian metrics. Based on this we obtained a fair value of NAD 9.3m for each of NCF Energy (Pty) Limited and Tandii Investments (Pty) Limited.

**10. PROPERTY, PLANT AND EQUIPMENT**

<b>Group – 2020</b>	<b>Office equipment USD</b>	<b>Computer equipment USD</b>	<b>Fixtures and fittings USD</b>	<b>Total USD</b>
Balance at 1 July 2019	-	-	-	-
Acquisition through business combination	<b>191</b>	<b>1,234</b>	<b>1,338</b>	<b>2,763</b>
Accumulated depreciation	<b>(191)</b>	<b>(364)</b>	<b>(1,338)</b>	<b>(1,893)</b>
Net book value at end of the year	-	<b>870</b>	-	<b>870</b>
<b>Movements for the year</b>				
Addition from acquisition	<b>191</b>	<b>1,234</b>	<b>1,338</b>	<b>2,763</b>
Accumulated depreciation	<b>(191)</b>	<b>(364)</b>	<b>(1,338)</b>	<b>(1,893)</b>
Net movement	-	<b>870</b>	-	<b>870</b>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<b>Company – 2020</b>	<b>Office equipment USD</b>	<b>Computer equipment USD</b>	<b>Fixtures and fittings USD</b>	<b>Total USD</b>
Balance at 1 July 2019	-	-	-	-
Acquisition through business combination	<b>191</b>	<b>908</b>	-	<b>1,099</b>
Accumulated depreciation	<b>(191)</b>	<b>(38)</b>	-	<b>(229)</b>
Net book value at end of the year	<b>-</b>	<b>870</b>	-	<b>870</b>
<b>Movements for the year</b>				
Addition from acquisition	<b>191</b>	<b>908</b>	-	<b>1,099</b>
Depreciation charge for the year	<b>(191)</b>	<b>(38)</b>	-	<b>(229)</b>
Net movement	<b>-</b>	<b>870</b>	-	<b>870</b>

**11. GOODWILL**

<b>Group – 2020</b>	<b>Goodwill USD</b>
Balance at 1 July 2019	-
Additions	<b>11,283</b>
Balance at end of the year	<b>11,283</b>
<b>Movements for the year</b>	
Addition from acquisition (Note 29)	<b>11,283</b>
Net movement	<b>11,283</b>

The cash generating unit used to assess the goodwill for impairment is the investment in Africa Renewable Clean Power (Pty) Limited, who in turn hold a 15% investment in NCF Energy (Pty) Limited and Tandii Investments (Pty) Limited. Each of these hold an electricity generating licence with Nampower for 5.0MW Solar PV plant.

Using time value of money to determine the present value of all future dividends receivable assuming an interest rate of 14.78%. This is based on the weighted average cost of capital for the company in Namibia.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**12. AMOUNTS RECEIVABLE FROM RELATED PARTIES**

	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
South Africa Clean Energy Solutions Limited (Note 25 (i))	-	361,573	-	361,573
Robert Wanjohi Muchiri (Note 25 (ii))	<b>70,654</b>	58,973	<b>52,236</b>	40,775
Tana Biomass Generation Limited (Note 25 (iii))	-	-	<b>500,780</b>	171,479
Unergy Limited (Note 25 (iv))	<b>96,710</b>	-	<b>96,710</b>	74,157
Africa Clean Energy Solutions (ACES) Limited (Note 25 (v))	-	-	<b>259,598</b>	160,920
Africa Renewable Clean Power (Pty) Limited (Note 25 (vi))	-	1,440	<b>450,044</b>	1,440
James Mureu (Note 25 (vii))	-	19,829	-	-
Afrinol (Holdings) Limited (Note 25 (viii))	<b>63,226</b>	39,759	-	-
SACE Projects (Pty) Limited (Note 25 (ix))	<b>1,545,304</b>	-	<b>1,545,304</b>	-
Metier International (Note 25 (x))	<b>3,702</b>	-	-	-
	<b>1,779,596</b>	481,574	<b>2,904,672</b>	810,344

	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Non-current assets	<b>1,779,596</b>	-	<b>2,904,672</b>	-
Current assets	-	<b>481,574</b>	-	810,344
	<b>1,779,596</b>	<b>481,574</b>	<b>2,904,672</b>	810,344

Amounts receivable from related parties comprise of loans and interest receivable.

The loans of the Group and Company are unsecured and shall bear interest at least 2% above the three month Libor rate, which interest will be repayable quarterly in arrears. The loans of the Group and Company shall be repayable on 1 July 2023. Amount receivable from related parties are denominated in USD and are neither past due nor impaired. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**12. AMOUNTS RECEIVABLE FROM RELATED PARTIES (CONTINUED)**

Impairment on loans receivable have been internally calculated by determining the expected credit loss (ECL). The ECL was determined on both the Provision Matrix and Probability of Default. In determining the percentages for the provision matrix, no historical actual figures have been used, as no loans have become due and there are no historical actual figures available. Instead, professional judgement was used. In determining the probability of default, professional judgement has also been used, in addition to assessing the credit risk of the borrowers and the fact that no loans are due. All factors point to a current 100% recoverability rate. However the company has adopted a 99.5% recoverability rate, which translates to a 0.5% probability of default. The directors are of the opinion that any identified impairment loss was immaterial.

The Group and Company does not hold any collateral as security.

**13. OTHER RECEIVABLES**

	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Other receivables	831	3,295	3,852	538
Prepayments	43,404	11,642	43,403	9,324
	<b>44,235</b>	<b>14,937</b>	<b>47,255</b>	<b>9,862</b>

The carrying amount of the receivables approximate their fair value. Other receivables are denominated in US Dollar. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. As of 30 June 2020, none of the receivables were past due or impaired.

**14. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Bank balances	26,844	4,549	1,575	1,398
	<b>26,844</b>	<b>4,549</b>	<b>1,575</b>	<b>1,398</b>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**15. STATED CAPITAL**

	Ordinary shares			
	Group and company		Group and company	
	2020	2020	2019	2019
	Number	USD	Number	USD
At start of year	26,099,042	938,635	435,613,209	180,423
Issue of shares prior consolidation	-	-	51,867,639	60,120
Total at consolidation date	<b>26,099,042</b>	<b>938,635</b>	487,480,848	240,543
Total consolidated number of shares/consideration	-	-	24,374,042	240,543
Issue of shares	<b>3,016,728</b>	<b>2,309,086</b>	1,725,000	698,092
At end of year	<b>29,115,770</b>	<b>3,247,721</b>	26,099,042	938,635

All issued ordinary shares are fully paid. Fully paid ordinary shares carry one vote per share and carry a right to dividends.

**16. EQUITY COMPONENT OF CONVERTIBLE LOAN**

	Group and company	
	2020	2019
	USD	USD
Equity component of convertible loan	<b>32,995</b>	32,083
	<b>32,995</b>	32,083

In 2018, the Company issued convertible bond of USD 40,000 in favour of Richard Morrisson and Arch Holdings Inc.

The terms are as follows:-

The convertible bond shall be automatically converted in equity shares 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 USD 1.80 per ordinary share in the Company;
- On 30 June 2021 at a price of USD 2.40 per ordinary share in the Company;
- The convertible bond shall bear an interest rate of 3 Months LIBOR rate plus 5%; and
- The shares do not carry any voting rights until converted into equity shares.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**17. SUBSCRIPTION MONIES RECEIVED IN ADVANCE**

These relate to funds received during the financial period in respect of shares which had not yet been allotted at the end of the reporting period:

	<b>Group and company</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Subscription monies received in advance	<b>140,000</b>	-

**18. BORROWINGS**

	<b>Group and Company</b>	
	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>
Liability component of convertible loan	<b>13,621</b>	7,917
<b>Analysed between:</b>		
Current liability	<b>13,232</b>	6,588
Non-current liability	<b>389</b>	1,329
	<b>13,621</b>	7,917

**19. ACCRUALS AND PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
Audit fees accrued	<b>39,271</b>	36,186	<b>29,245</b>	29,500
Interest payable on convertible loans	-	3,833	-	3,833
Other payables	<b>1,089,570</b>	157,950	<b>925,830</b>	96,555
	<b>1,128,841</b>	197,969	<b>955,075</b>	129,888

The carrying amounts of payables and accruals approximate their fair value.



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**20. AMOUNTS PAYABLE TO RELATED PARTIES**

	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
South Africa Clean Energy Solutions Limited (Note 25 (xi))	-	333,119	-	-
Johan David Kruger (Note 25 (xii))	<b>55,899</b>	22,140	<b>49,765</b>	777
Melvyn Joseph Antonie (Note 25 (xiii))	<b>104,093</b>	7,491	<b>97,432</b>	520
Topolino Trust (Note 25 (xiv))	<b>3,974</b>	-	<b>3,974</b>	-
Nemesis Trust (Note 25 (xv))	<b>7,086</b>	-	<b>7,086</b>	-
Unergy Limited (Note 25 (xvi))	<b>8,130</b>	-	-	-
	<b>179,182</b>	362,750	<b>158,257</b>	1,297

The loan from South Africa Clean Energy Solutions Limited (South Africa) bears interest at 2% plus 3 months average Libor, the loan was repaid as part of the purchase of assets and liabilities of South Africa Clean Energy Solutions Limited effective 31 May 2020.

The loans from Topolino Trust and Nemesis Trust bear interest at 3% plus 3 months average Libor and repayable at the earlier of 12 months from the initial loan or fund raise in excess of \$100,000.

Part of the loan from Johan David Kruger of USD 46,800 (2019: USD nil) bears interest at the South African Bank prime overdraft rate and repayable once 50% of the funding capital is raised. The remaining balance is interest free and repayable on demand.

Part of the loan from Melvyn Joseph Antonie of USD 96,912 (2019: USD nil) bears interest at the South African Bank prime overdraft rate and repayable once 50% of the funding capital is raised. The remaining balance is interest free and repayable on demand.

**21. CONTINGENT LIABILITIES**

The Company had no know contingent liabilities as at 30 June 2020 (2019: Nil).

At the end of June 2020, Tana Biomass Generation Limited agreed to pay Afrinol Holdings Limited USD 350,000 on financial closure of the project. As at 30 June 2020, it was uncertain as to the commencement and completion of the project.

**22. CAPITAL COMMITMENTS**

The Group and the Company has no capital commitments as at 30 June 2020 (2019: Nil).

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**23. INTEREST EXPENSE**

	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Interest on convertible loan stock	<b>2,783</b>	3,013	<b>2,783</b>	3,013
Interest on loan	<b>23,403</b>	33,703	<b>1,294</b>	-
	<b>26,186</b>	36,716	<b>4,077</b>	3,013

**24. BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic loss per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	Group		Company	
	2020 USD	2019 USD	2020 USD	2019 USD
Loss for the year	<b>(903,013)</b>	(553,482)	<b>(887,234)</b>	(235,200)
Loss attributable to non-controlling interests	<b>28,604</b>	90,652	-	-
Net loss attributable to owners of the Company	<b>(874,409)</b>	(462,830)	<b>(887,234)</b>	(235,200)
<b>Weighted average number of shares</b>	<b>27,115,240</b>	24,947,759	<b>27,115,240</b>	24,947,759
<b>Basic and diluted loss per share</b>	<b>(0.0322)</b>	(0.0186)	<b>(0.0327)</b>	(0.0094)

The Company has no dilutionary instruments in issue.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**25. RELATED PARTY DISCLOSURES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. During the year ended 30 June 2020, the Group and the Company entered into transaction with related parties. The nature, volume of transactions and the balances with these entities are as follows:

<b>Balances at 30 June</b>	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<i>Loan receivable from related parties:</i>				
<b>(i) South Africa Clean Energy Solutions Limited (South Africa) - Enterprise with common directorship</b>				
Opening balance	<b>361,573</b>	76,457	<b>361,573</b>	76,457
Loan given during the year	<b>166,271</b>	274,422	<b>166,271</b>	275,775
Interest charged during the year	<b>16,333</b>	10,694	<b>16,333</b>	9,341
Loan repaid during the year	<b>(544,177)</b>	-	<b>(544,177)</b>	-
Balance at end of year	-	361,573	-	361,573
<b>(ii) Robert Wanjohi Muchiri - Director of Tana Biomass Generation Limited</b>				
Opening balance	<b>58,973</b>	23,104	<b>40,775</b>	5,058
Loan given during the year	<b>8,000</b>	34,627	<b>8,000</b>	35,000
Interest charged during the year	<b>3,681</b>	1,242	<b>3,461</b>	717
Balance at end of year	<b>70,654</b>	58,973	<b>52,236</b>	40,775
<b>(iii) Tana Biomass Generation Limited (Kenya) - Indirect subsidiary</b>				
Opening balance	-	-	<b>171,479</b>	37,190
Loan given during the year	-	-	<b>55,082</b>	127,725
Interest charged during the year	-	-	<b>17,999</b>	6,564
Loan ceded on acquisition of business combination	-	-	<b>256,220</b>	-
Balance at end of year	-	-	<b>500,780</b>	171,479

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**25. RELATED PARTY DISCLOSURES (CONTINUED)**

<b>Balances at 30 June (continued)</b>	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<i>Loan receivable from related parties: (continued)</i>				
<b>(iv) Unergy Limited (Uganda) - Indirect associate</b>				
Opening balance	-	-	<b>74,157</b>	2,588
Loan given during the year	<b>7,286</b>	-	<b>12,505</b>	70,092
Interest charged during the year	<b>2,980</b>	-	<b>3,991</b>	1,477
Adjustment arising on loss of control of subsidiary	<b>80,387</b>	-	-	-
Loan ceded on acquisition of business combination	<b>6,057</b>	-	<b>6,057</b>	-
Balance at end of year	<b>96,710</b>	-	<b>96,710</b>	74,157
<b>(v) Africa Clean Energy Solutions (ACES) Limited (United Kingdom) - 100% held subsidiary of the Company</b>				
Opening balance	-	-	<b>160,920</b>	9,414
Loan given during the year	-	-	<b>1,283</b>	149,918
Interest charged during the year	-	-	<b>13,765</b>	1,588
Loan repaid during the year	-	-	<b>(1,800)</b>	-
Loan ceded on acquisition of business combination	-	-	<b>85,430</b>	-
Balance at end of year	-	-	<b>259,598</b>	160,920
<b>(vi) Africa Renewable Clean Power (Pty) Limited (Namibia) - Subsidiary company</b>				
Opening balance	<b>1,440</b>	1,440	<b>1,440</b>	1,440
Loan ceded on acquisition of business combination	-	-	<b>594,934</b>	-
Loan reclassified as accounts payable	<b>(1,440)</b>	-	<b>(1,440)</b>	-
Equity portion of loan	-	-	<b>(144,890)</b>	-
Balance at end of year	-	1,440	<b>450,044</b>	1,440
<b>(vii) James Mureu - Director of Tana Biomass Generation Limited</b>				
Opening balance	<b>19,829</b>	18,360	-	-
Interest charged during the year	<b>1,210</b>	1,469	-	-
Transferred to Afrinol (Holdings) Limited	<b>(21,039)</b>	-	-	-
Balance at end of year	-	19,829	-	-

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**25. RELATED PARTY DISCLOSURES (CONTINUED)**

<b>Balances at 30 June (continued)</b>	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<i>Loan receivable from related parties: (continued)</i>				
<b>(viii) Afrinol (Holdings) Limited – Enterprise with common directorship</b>				
Opening balance	<b>39,759</b>	36,814	-	-
Interest charged during the year	<b>2,428</b>	2,945	-	-
Transferred from James Mureu	<b>21,039</b>	-	-	-
Balance at end of year	<b>63,226</b>	39,759	-	-
<b>(ix) SACE Projects (Pty) Limited – Associated company</b>				
Opening balance	-	-	-	-
Loan ceded on acquisition of business combination	<b>1,533,781</b>	-	<b>1,533,781</b>	-
Interest charged during the year	<b>11,523</b>	-	<b>11,523</b>	-
Balance at end of year	<b>1,545,304</b>	-	<b>1,545,304</b>	-
<b>(x) Metier International – Shareholder of Unergy Limited</b>				
Opening balance	-	-	-	-
Loan receivable for purchase of shares	<b>3,702</b>	-	-	-
Balance at end of year	<b>3,702</b>	-	-	-
<b>Total loans and interest receivables (Note 12)</b>	<b>1,779,596</b>	481,574	<b>2,904,672</b>	810,344
Terms and conditions of the loans are disclosed in note 12.				
<i>Payables to related parties:</i>				
<b>(xi) South Africa Clean Energy Solutions Limited (South Africa) - Enterprise with common directorship</b>				
Opening balance	<b>333,118</b>	262,308	-	-
Loan received during the year	<b>(333,118)</b>	37,694	-	-
Interest charged during the year	-	33,117	-	-
Balance at end of year	-	333,119	-	-

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**25. RELATED PARTY DISCLOSURES (CONTINUED)**

<b>Balances at 30 June (continued)</b>	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<i>Payables to related parties: (continued)</i>				
<b>(xii) Johan David Kruger – Company Director</b>				
Opening balance	22,140	147,348	777	-
Loan received during the year	-	(128,808)	2,188	777
Loan ceded on acquisition of business combination	46,800	-	46,800	-
Interest charged during the year	-	3,600	-	-
Reclassification of loan on equity accounting	(13,041)	-	-	-
Balance at end of year	<b>55,899</b>	<b>22,140</b>	<b>49,765</b>	<b>777</b>
<b>(xiii) Melvyn Joseph Antonie– Company Director</b>				
Opening balance	7,491	5,842	520	-
Loan received during the year	(310)	1,649	-	520
Loan ceded on acquisition of business combination	96,912	-	96,912	-
Balance at end of year	<b>104,093</b>	<b>7,491</b>	<b>97,432</b>	<b>520</b>
<b>(xiv) Topolino Trust – Company Shareholder</b>				
Opening balance	-	-	-	-
Loan received during the year	3,750	-	3,750	-
Interest charged during the year	224	-	224	-
Balance at end of year	<b>3,974</b>	<b>-</b>	<b>3,974</b>	<b>-</b>
<b>(xv) Nemesis Trust – Company Shareholder</b>				
Opening balance	-	-	-	-
Loan received during the year	6,750	-	6,750	-
Interest charged during the year	336	-	336	-
Balance at end of year	<b>7,086</b>	<b>-</b>	<b>7,086</b>	<b>-</b>
<b>(xvi) Unergy Limited – Associated Company</b>				
Opening balance	-	-	-	-
Loan received during the year	8,130	-	-	-
Balance at end of year	<b>8,130</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total loans and interest payables (Note 20)</b>	<b>179,182</b>	<b>362,750</b>	<b>158,257</b>	<b>1,297</b>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**25. RELATED PARTY DISCLOSURES (CONTINUED)**

**Transactions with key management personnel**

Smitha Algoo-Bissonauth and Toorisha Nakey-Kurnauth are directors of the Company. They are also related to Intercontinental Trust Limited, the Company's service provider (Management Company) and Company Secretary. Out of the total Director fees of **USD 149,000** for the year ended 30 June 2020, **USD 7,000** are in relation to services rendered by Smitha Algoo-Bissonauth and Toorisha Nakey-Kurnauth, which are included within fees charged by the Company Secretary and borne by the Company. However, the fees are not paid to them but to the Company Secretary.

**Terms and conditions of transactions with related parties**

They have no guarantees provided or received for any related party receivables or payables. For the year ended 30 June 2020, the Group has not recorded any impairment of receivables relating to amount owed by the related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

All transactions were entered into the normal course of the business. The Company does not have any employees and the day to day administration of the Company is outsourced to the Administrator as set out in the agreement as to the terms and conditions of business, respectively.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**26. SEGMENT REPORTING**

The Group operates in Mauritius, United Kingdom, Namibia and Kenya. The Group does not monitor assets by segment.

The Group is organised into one main operating segment, which is clean energy solutions. All significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole and is shown below:

<b>2020</b>	<b>Mauritius</b>	<b>United Kingdom</b>	<b>Kenya</b>	<b>Namibia</b>	<b>Consolidation adjustment</b>	<b>Total</b>
	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>	<b>USD</b>
<b>INCOME</b>						
Interest on loan	59,829	6,752	3,638	-	(31,274)	38,945
Exchange gain/(loss)	22,586	(1,510)	(261)	-	64	20,879
	<b>82,415</b>	<b>5,242</b>	<b>3,377</b>	<b>-</b>	<b>(31,210)</b>	<b>59,824</b>
<b>EXPENDITURE</b>						
Professional fees	(109,026)	-	-	-	(500)	(109,526)
Audit fees	(29,425)	-	(6,816)	(1,271)	(1,533)	(39,045)
Directors' fees	(149,000)	-	-	-	-	(149,000)
Licence fees	(2,600)	-	-	-	-	(2,600)
Accounting fees	(42,498)	630	-	-	-	(41,868)
Interest expenses	(4,077)	(9,717)	(42,609)	-	30,217	(26,185)
Bank charges	(2,436)	(579)	(132)	(6)	(131)	(3,283)
Consulting fees	(17,400)	(315)	(32,006)	-	-	(49,721)
Goodwill written off	(601,968)	-	-	-	-	(601,968)
Share of loss of associated companies	-	-	-	-	(4,445)	(4,445)
Gain on loss of control of subsidiary	-	-	-	-	89,916	89,916
Other operating expenses	(11,219)	-	(9,876)	(1,157)	(2,860)	(25,112)
	<b>(969,649)</b>	<b>(9,981)</b>	<b>(91,439)</b>	<b>(2,434)</b>	<b>110,666</b>	<b>(962,837)</b>
<b>Loss before taxation</b>	<b>(887,234)</b>	<b>(4,739)</b>	<b>(88,062)</b>	<b>(2,434)</b>	<b>79,456</b>	<b>(903,013)</b>
Taxation	-	-	-	-	-	-
<b>Loss for the year</b>	<b>(887,234)</b>	<b>(4,739)</b>	<b>(88,062)</b>	<b>(2,434)</b>	<b>79,456</b>	<b>(903,013)</b>



**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**26. SEGMENT REPORTING (CONTINUED)**

2019	Mauritius USD	United Kingdom USD	Kenya USD	Uganda USD	Consolidation adjustment USD	Total USD
<b>INCOME</b>						
Interest on loan	19,688	12,490	4,414	-	(20,242)	16,350
Management fees	43,420	-	-	-	(43,420)	-
	<u>63,108</u>	<u>12,490</u>	<u>4,414</u>	<u>-</u>	<u>(63,662)</u>	<u>16,350</u>
<b>EXPENDITURE</b>						
Professional fees	(233,117)	-	-	(9,780)	-	(242,897)
Audit fees	(18,000)	-	(3,000)	(3,686)	-	(24,686)
Directors' fees	(3,580)	-	(10,000)	-	-	(13,580)
Licence fees	(2,630)	-	(16,926)	-	-	(19,556)
Accounting fees	(2,100)	(2,407)	-	-	-	(4,507)
Legal fees	-	(2,657)	(94,437)	-	-	(97,094)
Interest expenses	(3,013)	(10,810)	(41,658)	(1,477)	20,242	(36,716)
Bank charges	(3,534)	(829)	410	(424)	-	(4,377)
Consulting fees	(23,454)	2,718	(47,030)	-	-	(67,766)
Exchange losses	-	(10,234)	(3,322)	3,717	4,151	(5,688)
Other operating expenses	(8,880)	1,811	(38,923)	(50,393)	43,420	(52,965)
	<u>(298,308)</u>	<u>(22,408)</u>	<u>(254,886)</u>	<u>(62,044)</u>	<u>67,813</u>	<u>(569,832)</u>
<b>Loss before taxation</b>	<b>(235,200)</b>	<b>(9,918)</b>	<b>(250,472)</b>	<b>(62,044)</b>	<b>4,151</b>	<b>(553,482)</b>
Taxation	-	-	-	-	-	-
<b>Loss for the year</b>	<b>(235,200)</b>	<b>(9,918)</b>	<b>(250,472)</b>	<b>(62,044)</b>	<b>4,151</b>	<b>(553,482)</b>

**27. GOING CONCERN**

Since the beginning of 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses have been forced to cease or limit operations. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**27. GOING CONCERN (CONTINUED)**

During this period, the Company has been impacted in the following ways:

- Harvesting of the feedstock for projects in Kenya and Uganda has been possible, delaying the yields needed for testing;
- Furthermore, limited operations in the countries has delayed the finalisation of the Power Purchase Agreement, resulting in a 12-month delay in the projects reaching commercial operating date.
- Unfortunately, the impact of COVID-19 has also seen diminished interest in the companies' fund raising efforts. The need to raise funds to meet the future equity needs to develop projects remains. A further placement listing is planned before the end of 2020.

As a positive reaction to the situation, the Company incorporated SAFEPOD (Pty) Limited in April 2020. SAFEPOD has tendered and secured a contract to erect field hospitals ("SAFEPODs") with off grid energy solutions. In August, the first two SAFEPODs were completed and successfully handover to the Health authority. This development has created a positive cashflow for the Group.

The Group incurred a net loss of **USD 903,013** (2019: USD 553,483) for the year ended 30 June 2020 and as of that date, the Group has a net current liabilities of **USD 1,250,176** (2019: USD 66,247). The financial statements have been prepared on a going concern basis. The Company being a listed entity, the directors are of the opinion that the financial position of the Group will improve through future capital raise on the market. Therefore, the directors confirm that it is appropriate for the financial statements to be prepared on a going concern basis.

**28. EVENTS AFTER THE REPORTING PERIOD**

There have been no material events after the reporting year which would require disclosure to the financial statements for the period ended 30 June 2020 apart from the following:

In July 2020, ACES disposed of 23.9% of its shares in SAFEPOD (Pty) Limited for USD 168,540 (ZAR 3,000,000).

In July 2020, ACES purchased 70% of Sibal Energy Investments (Pty) Limited, a company registered in Botswana. The value of the purchase was the share capital amount.

**29. BUSINESS COMBINATIONS**

On 31 May 2020, the company acquired all the assets and liabilities of South Africa Clean Energy Solutions Limited. This included 100% of the shares of SA Clean Energy Finance ((Pty) Limited, which is a dormant company and registered in South Africa. Included in the purchase was 49.9% of the shares of SACE Projects (Pty) Limited. Finally, the company acquired 72% in Africa Renewable Clean Power (Pty) Limited, a company registered in Namibia.

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

**29. BUSINESS COMBINATIONS (CONTINUED)**

The goodwill of USD 601,968 recognised on acquisition at the Company level was tested for impairment at the end of the year. Upon review it was determined that the fair value of goodwill at year end is to be written off in full.

The goodwill of USD 11,283 arising from the business combination at group level is attributable to the acquired subsidiary and future cash flow expected to be received.

The income and loss included in the consolidated financial statements since 1 June 2020 contributed by Africa Renewable Clean Power (Pty) Limited (ARCP) was USD nil and USD 2,869 respectively.

Had ARCP been consolidated as from 1 July 2019, income would have been USD nil and loss would have been USD 29,166.

The following table summarises the consideration paid by the group and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

	<b>Group 2020 USD</b>	<b>Company 2020 USD</b>
<b>Consideration at 31 May 2020</b>		
Purchase consideration (Non cash)	<u>272,925</u>	<u>2,000,000</u>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>		
Property, plant and equipment	-	1,099
Investments in subsidiaries and associates	-	272,932
Loans to related parties	-	2,459,812
Accruals	-	(637,539)
Loans from related parties	-	(698,272)
Non-controlling interest at acquisition	101,716	-
Share capital not attributable to the parent	11	-
Less: Net asset value at acquisition	<u>(363,369)</u>	-
	<u>(261,642)</u>	<u>1,398,032</u>
Goodwill	<u>11,283</u>	<u>601,968</u>

**AFRICA CLEAN ENERGY SOLUTIONS LIMITED AND ITS SUBSIDIARIES**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

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**29. BUSINESS COMBINATIONS (CONTINUED)**

**Acquisition of subsidiary**

Net cash outflow on acquisition of subsidiary:

	<b>2020 USD</b>
Consideration paid in cash	-
Less: cash and cash equivalent balances acquired	<u>(24,240)</u>
	<u>(24,240)</u>
 Acquisition related costs	 <u>-</u>

# NOTICE OF MEETING OF SHAREHOLDER

## **Africa Clean Energy Solutions Limited**

Incorporated in the Republic of Mauritius  
Registration number: 152282 C1/GBL  
Having its registered office address at  
c/o Intercontinental Trust Limited, Level 3, Alexander House  
35 Cybercity, Ebene 72201, Mauritius  
SEM share code: ACES.N0000  
ISIN: MU0620N00008  
("ACES" or the "Company")



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## **NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

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**NOTICE IS HEREBY GIVEN THAT** the Annual Meeting of shareholders of ACES will be held on **Friday, 27 November 2020 at 11am Mauritian Time** at the registered office of the Company at Intercontinental Trust Limited, Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius.

The purpose of the Annual Meeting is to transact the business set out in the agenda below.

### **ORDINARY RESOLUTION NUMBER 1: CONSIDERATION AND ADOPTION OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS, RECEIVING OF THE AUDITORS' REPORT AND CONSIDERATION OF THE ANNUAL REPORT**

After due consideration, **IT IS RESOLVED THAT** the audited consolidated financial statements, the auditors' report and the Annual Report for the financial year ended 30 June 2020 be hereby adopted.

### **ORDINARY RESOLUTION NUMBERS 2.1-2.5: RE-ELECTION OF DIRECTORS**

**IT IS RESOLVED THAT** the following directors, who retire and offer themselves for re-election in accordance with section 12.4.2 of the Company's Constitution be re-elected each by way of a separate vote:

- 2.1 Gaëtan Michel Siew - Independent Non-Executive Director and Chairman
- 2.2 Johan David Kruger - Executive Director and Chief Executive Officer
- 2.3 Smitha Algoo-Bissonauth - Non-Executive Director
- 2.4 Toorisha Nakey-Kurnauth - Non-Executive Director
- 2.5 Antoine Kon-Kam King - Independent Non-Executive director

**ORDINARY RESOLUTION NUMBER 3: RE-ELECTION OF DIRECTORS OVER 70 YEARS OLD**

**IT IS RESOLVED THAT** Melvyn Joseph Antonie (Executive Director and Chief Operating Officer), who retires and offers himself for re-election in accordance with section 138(6)(a) of the Companies Act 2001 of Mauritius be re-elected by way of a vote.

**ORDINARY RESOLUTION NUMBER 4: RE-APPOINTMENT OF INDEPENDENT AUDITOR**

**THAT** BDO & Co (“**BDO**”), the independent auditor of the Company with Mrs. Rookaya Ghanty as the designated audit partner, be re-appointed until the conclusion of the Company’s next Annual Meeting.

**ORDINARY RESOLUTION NUMBER 5: REMUNERATION OF INDEPENDENT AUDITOR**

**THAT** the Board of Directors be authorised to determine the remuneration of the independent auditor.

**ORDINARY RESOLUTION NUMBER 6: REMUNERATION OF NON-EXECUTIVE DIRECTORS**

**THAT** the Board of Directors be authorised to determine the fees of the non-executive directors for their services as directors of the Company.

**ORDINARY RESOLUTION NUMBER 7: ISSUE OF SHARES**

**THAT** the Board of Directors be authorised, in terms of paragraph 4.1 of the Constitution, to allot and issue up to 35,000,000 ordinary shares of the Company by way of various placings and/or consideration issues at any time to any person and in any number, as it thinks fit pursuant to the Mauritian Companies Act 2001, the Mauritian Securities Act 2005 and the Listing Rules of the Stock Exchange of Mauritius Ltd, and that such authority given to the directors shall be valid for a period of 12 months from the date of this approval. Additional information is included in Annexure 1.

**ORDINARY RESOLUTION NUMBER 8: AUTHORITY OF DIRECTORS**

**THAT** any director of the Company be and is hereby authorised to do all such things and sign all such documentation as is necessary to give effect to the resolutions set out in this notice, hereby ratifying and confirming all such things already done and documentation already signed.

**SPECIAL RESOLUTION NUMBER 1: GENERAL AUTHORITY TO ISSUE SHARES ON A NON-PRE-EMPTIVE BASIS**

**THAT** subject to the applicable provisions of the Mauritian Companies Act 2001 and the Constitution, the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue Shares to such person/s on such terms and conditions and at such times as the directors may, from time to time, in their discretion as deemed fit and that the authority conferred hereby shall include authority to issue options or convertible securities that are to be converted into ordinary shares of the Company, save that the pre-emption rights on issue in the Constitution, the Mauritian Companies Act 2001 or otherwise applicable shall not apply to any such issue.

*The reason for Special Resolution Number 1 is to obtain the required approval of shareholders to authorise the directors to allot and issue new shares up to the limits specified in Ordinary Resolution Number 7 as if the pre-emption rights in the Constitution, the Mauritian Companies Act 2001 or otherwise applicable did not apply to any such issue or sale.*

The Directors consider that the passing of ordinary resolutions number 1 to 8 and special resolution number 1 are in the best interests of the Company and its shareholders as a whole, and accordingly recommend that the shareholders entitled to vote at the Annual Meeting to exercise their vote in favour of all the resolutions to be proposed at the meeting.

Ordinary resolutions number 1 to 8 will require the support of not less than 50% of the total votes exercisable by members of the Company, present in person or by proxy to pass these resolutions.

Special resolution number 1 will require the support of not less than 75% of the total votes exercisable by members of the Company, present in person or by proxy to pass this resolution.

**Key dates and times for the Annual Meeting of Shareholders:**

<b>Key events</b>	<b>Date</b>
Notice of Annual Meeting	31 October 2020
Last day to lodge forms of proxy for the Annual Meeting by 11am Mauritian time	26 November 2020
Annual Meeting at 11am Mauritian time	27 November 2020

## **Annexure 1**

### **Disclosure of additional information required under the Securities (Preferential Offer) Rules 2017 made by the Financial Services Commission under section 93 of the Financial Services Act 2007 and sections 70 and 155 of the Securities Act 2005**

Pursuant to Rule 4(4) of the Securities (Preferential Offer) Rules 2017, the Company hereby provides the following additional information in respect of proposed ordinary resolution number 7 (“**the Resolution**”), if applicable, as set out in the notice of the special meeting:

*a) Objectives of the issue*

The objective of the issue of shares under the Resolution is to allow the Company to raise funding through the issue of new securities.

*b) Total number of securities to be issued*

The total number of securities that may be issued under the Resolution is 35,000,000 ordinary shares.

*c) The price at which or the price band within which the allotment is proposed*

The price to be decided by the Board of directors in due course, which price shall be determined by the directors of the Company at the time any such offer, issue or placement is announced and which shall at any time not be less than the net asset value of the Company.

*d) The basis on which the price has been arrived at*

See c) above

*e) The class or classes of persons to whom the allotment is proposed to be made*

The proposed allotments pursuant to the Resolution are to be made to the vendors of assets, to current shareholders, to sophisticated investors and to the general public.

*f) The proposed time within which the allotment shall be completed*

The allotment of securities shall be made within a 12 month period from the date of approval of the Resolution.

*g) The names of the proposed allottees and the percentage of post preferential offer capital that may be held by them, wherever applicable*

The proposed allottees and the percentage of securities held by the proposed allottees will only be determined once an allotment is made.



*h) Any change in control in the Company subsequent to the preferential offer*

Any change of control in the Company will only be determined following the proposed allotments.

*i) The number of persons to whom allotment on a preferential offer basis have already been made during the year and the corresponding number of securities as well as the price of each security*

No allotment of shares has been made on a preferential offer till date.

*j) The justification for the allotment to be made for consideration other than cash*

An allotment of shares may be issued as consideration for the acquisition of assets.

*k) The shareholding pattern prior to and after the issue of securities*

The shareholding pattern prior to the issue of shares is as follows:

<b>Percentage of Holdings</b>	<b>Number of shareholders</b>
Less than 5%	67
Between 5% to 20%	4
Greater than 20%	1

The shareholding pattern post to the issue of shares will only be determined once an allotment is made.

### **Instructions for members holding shares**

A form of proxy is attached for the convenience of any member of the Company holding shares who cannot or does not wish to attend the Annual Meeting but who wishes to be represented thereat. Forms of proxy may also be obtained on request from the Company's registered office.

Members of the Company holding may elect to:

- attend and vote at the Annual Meeting; or alternatively
- may appoint an individual as a proxy (who need not also be a member of the Company) to attend, participate in, speak and vote in your stead at the Annual Meeting by completing the attached form of proxy and returning it to the addresses below, to be received by no later than 11am Mauritian time on 26 November 2020:

The Company Secretary  
Africa Clean Energy Solutions Limited  
Intercontinental Trust Limited,  
Level 3, Alexander House,  
35 Cybercity, Ebene 72201,  
Mauritius.  
Fax: (230) 403 0801  
Email: [aces@intercontinentaltrust.com](mailto:aces@intercontinentaltrust.com)

Alternatively, the form of proxy may be handed to the chairperson of the Annual Meeting at the Annual Meeting or at any time prior to the commencement of the Annual Meeting. Please note that your proxy may delegate his/her authority to act on your behalf to another person, subject to the restrictions set out in the attached form of proxy.

Please note that the completed form of proxy must be delivered to the addresses above or handed to the chairperson of the Annual Meeting prior to the dates and times indicated, before your proxy may exercise any of your rights as a member of the Company at the Annual Meeting.

Please note that any member of the Company that is a company may authorise any person to act as its representative at the Annual Meeting.

Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the Annual Meeting should the shareholder subsequently decide to do so.

### **Voting at the Annual Meeting**

In order to more effectively record the votes and give effect to the intentions of members, voting on all resolutions will be conducted by way of a poll.

By order of the Board  
**Intercontinental Trust Limited**  
Company Secretary  
Mauritius  
Date: 31 October 2020

# PROXY FORM

**Africa Clean Energy Solutions Limited**  
(Incorporated in the Republic of Mauritius)  
Registration number: 152282 C1/GBL  
Having its address at  
c/o Intercontinental Trust Limited,  
Level 3, Alexander House  
35 Cybercity, Ebene 72201, Mauritius  
SEM share code: ACES.N0000  
ISIN: MU0620N00008  
("ACES" or "the Company")



## Form of proxy

### Important information regarding the use of this form of proxy

Shareholders are advised to read the instructions for completing this form of proxy contained in the notice of the Annual Meeting to which this form of proxy is attached, in addition to the notes to this form of proxy.

Dear Sir/Madam,

I/We \_\_\_\_\_

of \_\_\_\_\_

being shareholder(s) of Africa Clean Energy Solutions Limited and holding \_\_\_\_\_

ordinary shares in the Company hereby appoint:

1. \_\_\_\_\_ or failing him/her;
2. \_\_\_\_\_ or failing him/her;
3. the chairperson of the Annual Meeting

as my/our proxy to vote for me/us at the Annual Meeting of the Company to be held on 27 November 2020 at **11am Mauritius Time** at Intercontinental Trust Limited, Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius, and at any adjournment of the meeting, which will be held for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions and the special resolution to be proposed thereat as detailed in the notice of Annual Meeting ; and to vote for and/or against such resolutions and/or to abstain from voting for and/or against the resolutions in respect of the shares registered in my/our name in accordance with the following instructions:

<b>Resolution</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
Ordinary resolution number 1 (Consideration and adoption of the Audited Consolidated Financial Statements, receiving of the Auditors' report and consideration of the Annual Report)			
Ordinary resolution number 2.1 (Re-election of Gaëtan Michel Siew as director)			
Ordinary resolution number 2.2 (Re-election of David Johan Kruger as director)			
Ordinary resolution number 2.3 (Re-election of Smitha Algoo-Bissonauth as director)			
Ordinary resolution number 2.4 (Re-election of Toorisha Nakey-Kurnauth as director)			
Ordinary resolution number 2.5 (Re-election of Antoine Kon-Kam King as director)			
Ordinary resolution number 3 (Re-election of Melvyn Antonie Joseph as director)			
Ordinary resolution number 4 (Re-appointment of independent auditor)			
Ordinary resolution number 5 (Authorising directors to determine the remuneration of independent auditor)			
Ordinary resolution number 6 (Authorising directors to determine the fees of non-executive directors)			
Ordinary resolution number 7 (Issue of shares)			
Ordinary resolution number 8 (Authority of directors)			
Special resolution number 1 (General authority to issue shares on a non-pre-emptive basis)			

**Consent in terms of Section 327 of the Mauritian Companies Act 2001**

I/we a shareholder of the Company, hereby consents to receive notices, annual reports, statements, reports, accounts, or any other documents pertaining to the Company at the following email address until such authority is revoked:

Email Address: \_\_\_\_\_

I/we undertake to advise the Company within 5 days at the below addresses of any change in my/our email address.

This consent may be revoked at any time on the provision of 5 days' notice in writing to the Company.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020

Signed: \_\_\_\_\_

Shareholder name: \_\_\_\_\_

Capacity: \_\_\_\_\_

**Africa Clean Energy Solutions Limited**  
(Incorporated in the Republic of Mauritius)  
Registration number: 152282 C1/GBL

Alexander House  
35 Cybercity  
Ebene 72201  
Mauritius  
[www.acesrenewables.com](http://www.acesrenewables.com)