THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 8 of this Circular apply *mutatis mutandis* throughout this Circular, including this cover page.

If you are in any doubt as to the action you should take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor.

Action required of AEP Shareholders

- This Circular is important and should be read in its entirety, and particular attention should be paid to the section entitled "*Action required by AEP Shareholders*" commencing on page 6 of this Circular, which sets out the action required of them with regard to the matters dealt with in this Circular.
- If you have disposed of all your Shares in AEP, then this Circular (together with the Notice of General Meeting and Form of Proxy) should be forwarded to the purchaser to whom, or the Broker, agent or CSDP through whom, you disposed of your Shares.

AEP does not accept any responsibility and will not be held liable for any action of, or omission by any CSDPs or Brokers of Dematerialised Shareholders including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of Dematerialised Shareholders to notify such Shareholders of the information set out in this Circular.

Nothing in this Circular constitutes (or forms part of) any offer for the sale of, or solicitation of any offer to purchase or subscribe for, any securities of AEP in any jurisdiction, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever in any jurisdiction.

AEP
Energy Africa

AEP ENERGY AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2017/024904/06)
JSE share code: AEY ISIN: ZAE000241741
("**AEP**" or "**the Company**")

CIRCULAR TO SHAREHOLDERS

regarding the:

- proposed acquisition by AEP of IberAfrica, which acquisition constitutes the acquisition of a Viable Asset; and
- approval of a specific issue of shares for cash.

and incorporating:

- the opinion of the Independent Expert in respect of the Related Party Share Issues;
- a Notice convening a General Meeting of Shareholders; and
- a Form of Proxy in respect of the General Meeting (to be completed by Certificated Shareholders and Own-name Dematerialised Shareholders only).

Corporate Advisor, Designated Advisor and Bookrunner

Legal Advisor to AEP

Independent Expert

Independent Reporting Accountants to AEP

Independent Reporting Accountants to IberAfrica

Joint Financial Advisors

Date of issue: 27 September 2018

This Circular is available in English only and copies may be obtained from the registered office of AEP or Questco during normal office hours from the date of issue hereof until the date of the General Meeting. An electronic copy of this Circular will be available on the Company's website, www.aep.co.za, from the issue date of this Circular.

IMPORTANT INFORMATION, DISCLAIMERS, FORWARD LOOKING STATEMENTS AND CONFLICTS OF INTEREST

The definitions and interpretations commencing on page 8 of this Circular apply to this forward-looking statement disclaimer.

GENERAL

This Circular is for information purposes only and nothing in this Circular constitutes (or forms part of) any offer for the sale of, or solicitation of any offer to purchase or subscribe for, any securities of AEP in any jurisdiction, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever in any jurisdiction.

The release, publication or distribution of this Circular in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Circular is released, published or distributed should inform themselves about and observe such restrictions. Failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction.

Information included in this Circular relating to IberAfrica has been presented in terms of the Listings Requirements for the benefit of Shareholders and has been derived from publicly available sources and information made available to AEP by IberAfrica as part of the due diligence which AEP conducted prior to the announcement of the Acquisition. Consequently, the integrity of the information reviewed and quoted herein, is dependent on the accuracy and completeness of publicly available information and the information made available by IberAfrica pursuant to the aforementioned due diligence and AEP and the Board and officers are not aware of any errors in such information. Subject to the foregoing, and to the maximum extent permitted by law, AEP and the Board and officers disclaim all liability for information concerning IberAfrica included in this Circular.

FORWARD-LOOKING STATEMENTS

This Circular includes certain "forward-looking information". All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: AEP's strategy; the economic outlook for the industry; growth prospects and outlook of AEP's operations, individually or in the aggregate; AEP's liquidity and capital resources and expenditure.

These forward-looking statements are not based on historical facts, but rather reflect AEP's current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "seek", "predict", "assume", "continue" "foresee", "forecast", "likely", "should", "could", "shall", "risk", "confident" "planned", "may", "will", "estimated", "potential" or the negative of these terms or similar words and phrases that are predictions of (or indicate) future events and future trends. Similarly, statements that describe AEP's objectives, plans or goals are or may be forward-looking statements.

Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, estimates of capital expenditures, acquisition strategy, or future capital expenditure levels, and other economic factors, such as, *inter alia*, interest rates.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause AEP's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements. Although AEP believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Shareholders should review carefully all information, including the *pro forma* financial statements and the notes to the *pro forma* financial statements, included in this Circular. New factors that could cause the business of AEP not to develop as expected may emerge from time to time, and it is not possible to predict all such factors. The forward-looking statements included in this Circular are made only as of the Last Practicable Date. AEP undertakes no obligation and does not intend to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this Circular or to reflect any change in AEP's expectations with regard thereto or the occurrence of unanticipated events, except as may be required by law. All subsequent written and oral forward-looking statements attributable to AEP or any person acting on its behalf are qualified by the cautionary statement in this section of the Circular. In addition, any forward-looking statements included in this Circular have not been reviewed nor reported on by the external auditors.

CONFLICT OF INTERESTS

As indicated in this Circular, Questco fulfils the functions of Corporate Advisor, Designated Advisor and Bookrunner to AEP. It is Questco's opinion that the performance of these functions do not represent a conflict of interests for Questco, impair Questco's independence from AEP or impair Questco's objectivity in its professional dealings with AEP or in relation to the Transactions. However, as required in terms of the Listings Requirements, Questco has confirmed that in order to manage any potential or perceived conflicts of interest that might arise as a result of Questco acting in these roles, Questco has in place appropriate checks and balances to manage any potential or perceived conflicts of interests, including procedures to assess the independence of Questco in respect of a transaction (and, should it be determined that Questco is not independent, the appointment of an independent transaction sponsor) and the divisions of responsibility between directors of Questco involved in fulfilling the various functions undertaken by Questco in respect of the Transactions.

CORPORATE INFORMATION AND ADVISORS

INFORMATION RELATING TO AEP

Directors

Executive

ECMB Kikonyogo (Chief Executive Officer)
N Gugushe (Chief Operating Officer)
KG Simons (Chief Financial Officer)

Independent Non-executive

DW Wright (Chairperson)
SM David
CJ Dooling (née Cloete)
SS Sibiya
MM Kekana

Non-executive

TP Leeuw
MS Moloko
ONW Petersen

Corporate Advisor and Bookrunner

Questco Proprietary Limited
(Registration number 2002/005616/07)
Yellowwood House, Ballywoods Office Park
33 Ballyclare Drive
Bryanston, 2191

Designated Advisor

Questco Corporate Advisory Proprietary Limited
(Registration number 2011/106751/07)
Yellowwood House, Ballywoods Office Park
33 Ballyclare Drive
Bryanston, 2191

Legal Advisor

Bowmans Inc.
(Registration number 1998/021409/21)
11 Alice Lane, Sandton
Johannesburg, 2196
(PO Box 785812, Sandton, 2146)

Independent Expert

PSG Capital Proprietary Limited
(Registration number 2006/015817/07)
1st Floor, Ou Kollege Building
35 Kerk Street
Stellenbosch 7600
(PO Box 7403, Stellenbosch, 7599)

Registered Office

2nd Floor
28 Fricker Road, Illovo
Sandton, Johannesburg
Gauteng, 2196

Company Secretary

Imbokodvo Bethany Governance and Statutory Compliance Proprietary Limited
(Registration number 2016/117816/07)
Yellowwood House, Ballywoods Office Park
33 Ballyclare Drive
Bryanston, 2191

Date and Place of Incorporation

24 January 2017 – Republic of South Africa

Website: www.aep.co.za

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Independent Reporting Accountants and Auditors in respect of the *Pro Forma* Financial Information

Deloitte & Touche
Deloitte Place, The Woodlands
20 Woodlands Drive, Woodmead
Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)

Independent Reporting Accountants in respect of the Historical Financial Information of IberAfrica

PricewaterhouseCoopers Inc.
(Registration number 1998/012055/21)
4 Lisbon Lane
Waterfall City
Jukskei View, 2090
South Africa
(Private Bag X36, Sunninghill, 2157)

Joint Financial Advisors

LiquidAfrica Proprietary Limited
(Registration number 2000/015146/07)
Kingsley Park, First Floor
Block B, 85 Protea Road
Chislehurston, 2196

AM & Associates – The DavidWorth Group Proprietary Limited
(Registration number 2017/305773/07
First Floor, 32 Fricker Road, Illovo
Sandton, 2196

INFORMATION RELATING TO IBERAFRICA

Directors

Francisco Bustio Gutierrez
Miguel Morato Pilas
Marcelo Uriel Somme

Date and Place of Incorporation

29 April 1996 – Nairobi, Kenya

Registered Office

1st Floor, Park Place
Parklands, Limuru Road
PO Box 32431
00600, Nairobi Ngara
Kenya

Company Secretary

Proven Registrars
PO Box 27705
00506 Nairobi City Square
Kenya

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ACTION REQUIRED BY AEP SHAREHOLDERS

The definitions and interpretations commencing on page 8 of this Circular apply, *mutatis mutandis*, to the following action required by AEP Shareholders.

If you are in any doubt as to the action you should take in relation to this Circular, please consult your CSDP, Broker, banker, attorney, accountant or other professional advisor immediately.

IF YOU HOLD CERTIFICATED SHARES OR OWN-NAME DEMATERIALISED SHARES

You may attend the General Meeting in person and speak, vote or abstain from voting at the General Meeting.

Alternatively, you may appoint a proxy to represent you at the General Meeting by completing the attached Form of Proxy in accordance with the instructions contained therein. Shareholders are requested to lodge their Forms of Proxy with the Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) or by email to proxy@computershare.co.za by no later than 10:00 on Tuesday, 23 October 2018. Nevertheless, Forms of Proxy may be lodged at any time prior to the commencement of voting on the Resolutions at the General Meeting.

IF YOU HOLD DEMATERIALISED SHARES OTHER THAN OWN-NAME REGISTRATION

If your CSDP or Broker has not contacted you, it would be advisable for you to contact your CSDP or Broker and furnish them with your voting instructions.

If your CSDP or Broker does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or Broker.

You must not complete the attached Form of Proxy.

In accordance with the mandate between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to attend or be represented by proxy at the General Meeting. Your CSDP or Broker will issue the necessary letter of representation for you to do so.

SALIENT DATES AND TIMES

The definitions and interpretations commencing on page 8 of this Circular apply, *mutatis mutandis*, to this salient dates and times section.

	2018
Record date for AEP Shareholders to be eligible to receive the Circular and Notice of General Meeting	Friday, 21 September
Circular posted to AEP Shareholders and notice convening the General Meeting published on SENS on	Thursday, 27 September
Last day to trade in order to be eligible to vote at the General Meeting	Wednesday, 17 October
Record date in order to vote at the General Meeting	Friday, 19 October
Receipt of Forms of Proxy by 10:00 (note 3) on	Tuesday, 23 October
General Meeting to be held at 10:00 on	Thursday, 25 October
Results of the General Meeting published on SENS on	Thursday, 25 October

Notes:

1. The above dates and times are subject to amendment and any amendment made will be released on SENS.
2. All times given are South African local times.
3. A Shareholder may submit their form of proxy at any time before the commencement of the General Meeting (or any adjournment of the General Meeting) or hand it to the chairperson of the General Meeting before the appointed proxy exercises any of the relevant Shareholders' rights at the General Meeting (or any adjournment of the General Meeting), provided that, should a Shareholder lodge the form of proxy with the Transfer Secretaries less than 48 (forty eight) hours before the General Meeting, a Shareholder will also be required to furnish a copy of such form of proxy to the chairperson of the General Meeting before the appointed proxy exercises any of such Shareholder's rights at the General Meeting (or any adjournment of the General Meeting).
4. Shareholders should note that, as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place 3 (three) Business Days after such trade. Therefore, persons who acquire Shares after the last day to trade (detailed in the table above), will not be able to vote at the General Meeting.
5. If the General Meeting is adjourned or postponed, forms of proxy submitted for the initial General Meeting will remain valid in respect of any such adjournment or postponement.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column, words in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and an expression denoting any gender shall include the other genders:

"Acquisition"	the acquisition by the Company of 100% of the issued share capital of IberAfrica together with all shareholders' claims against IberAfrica for a maximum aggregate purchase consideration of USD61 569 066 in terms of the Acquisition Agreement;
"Acquisition Agreement"	the Sale and Purchase Agreement, dated 25 June 2018, entered into between the Company, First Independent Power and the Guarantor regulating the Acquisition, including schedules, and any ancillary or supplementary agreements, which forms part of it;
"Acquisition Escrow Agreement"	the escrow agreement, dated 30 August 2018, entered into between the Company and the Escrow Agent;
"AEP" or **"the Company"**	AEP Energy Africa Limited (Registration number 2017/024904/06), incorporated under the laws of South Africa and listed as a SPAC on the AltX under share code AEP;
"AltX"	the Alternative Exchange operated by the JSE;
"Auditors to AEP" or **"Independent Reporting Accountants to AEP"**	Deloitte & Touche;
"Auditors to IberAfrica" or **"Independent Reporting Accountants to IberAfrica"**	PwC;
"Average Exchange Rate"	USD1: R13.32, being the exchange rate used in the preparation of the *pro forma* financial information set out in **Annexure 3** in relation to the statement of comprehensive income;
"Barak"	Barak Fund SPC Limited (on behalf of the Barak Structured Trade Finance Segregated Portfolio) (Registration number 21675), a limited liability company duly registered and incorporated in the Cayman Islands;
"Barak Facility"	a facility in the amount of USD70 million made available to the Company by Barak for the purpose of funding, *inter alia*, the Purchase Consideration;
"Barak Loan Agreement"	the facility agreement entered into by Barak and AEP on 25 June 2018, regulating the provision of the Barak Facility;
"Board" or **"Directors"**	the board of directors of the Company as at the Last Practicable Date, whose names appear on page 13 of this Circular;
"Broker"	any person registered as a "broking member (equities)" in terms of the rules of the JSE issued and published in accordance with the provisions of the Financial Markets Act;
"Business Day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"Certificated Shareholders"	Shareholders holding Shares represented by a paper share certificate or other document of title, which Shares have not been dematerialised and which may not be traded on the JSE;

"Circular"	this circular, dated Thursday, 27 September 2018, including all annexures, the Notice of General Meeting and the form of proxy;
"Closing Exchange Rate"	the USD to Rand exchange rate of USD1: R12.3551 as at 31 December 2017, being the exchange rate used in the preparation of the *pro forma* financial information in relation to the statement of financial position as detailed in **Annexure 3;**
"Clover"	Clover Financial and Treasury Services DAC (Registration number 369667), a company incorporated under the laws of Ireland, being the existing lender of a revolving cash facility to IberAfrica;
"Companies Act"	the Companies Act, No. 71 of 2008, as amended, which where appropriate in the context, includes reference to the Companies Regulations;
"Companies Regulations"	the Companies Regulations, 2011, promulgated under section 223 of the Companies Act;
"CSDP"	Central Securities Depository Participant as defined in the Financial Markets Act;
"Destiny" or **"the Manager"**	Destiny Corporation Management Services Proprietary Limited (Registration number 2017/042291/07), a company incorporated in accordance with the laws of South Africa, being the manager of the Company and an associate of N Gugushe, ECMB Kikonyogo, TP Leeuw and MS Moloko, each of whom are Directors;
"the Destiny/Trodera Subscription"	the agreement between Destiny, Trodera and the Company in terms of which, subject to implementation of the Specific Issue and certain other conditions precedent, Destiny and Trodera will together subscribe for up to 35 490 000 Specific Issue Shares at the Issue Price;
"Dematerialisation" or **"Dematerialise"** or **"Dematerialised"**	the process by which securities which are evidenced by a certificate are converted to securities that are held in collective custody by a CSDP or its nominee in a separate central securities account and are transferable by electronic entry without a certificate or written instrument;
"Dematerialised Shares"	AEP Shares which have been Dematerialised;
"Dematerialised Shareholders"	holders of Dematerialised Shares;
"Disinterested Shareholders"	i. in respect of the Destiny/Trodera Subscription, all Shareholders other than Destiny, Trodera and their associates; and ii in respect of the Ebotos Subscription, all Shareholders other than Ebotos and its associates; iii in respect of the PIC Subscription, all Shareholders other than the PIC and its associates;
"Ebotos"	Ebotos Capital Proprietary Limited (Registration number 2010/016931/07), a company incorporated in accordance with the laws of South Africa, and 100% owned by, and an associate of, SS Sibiya, a Director;
"Ebotos Subscription"	the agreement between Ebotos and the Company dated 29 June 2018 in terms of which, subject to implementation of the Specific Issue, Ebotos will subscribe for up to 13 650 Specific Issue Shares (being 0.01% of the Specific Issue Shares) at the Issue Price;
"Effective Date"	the effective date of the Acquisition which will be the business day that is the 15th business day after the date on which all conditions precedent to the Acquisition are fulfilled and/or, where applicable, waived. For the purposes of this definition, "business day" means any day other than a Saturday, Sunday or statutory public holiday, on which banks in Madrid (Spain), Nairobi (Kenya) and Johannesburg (South Africa) are open for business;

"Enterprise Value"	the enterprise value of AEP as determined in the Management Agreement being the aggregate of: i. the market capitalisation of AEP on the last trading day of the month in question, calculated as the 30-day volume weighted average traded price per share multiplied by the number of shares in issue less any treasury shares held by AEP but including any shares to be issued pursuant to an unconditional acquisition; and ii. the aggregate interest-bearing borrowings on the last Business Day of the month in question including any borrowings to be issued pursuant to an unconditional offer;
"Escrow Agent"	Barclays Bank Kenya (Registration number 1929/001225/06), a registered bank and public company duly registered and incorporated in accordance with the laws of South Africa;
"Exchange Rate"	the exchange rate of USD1:ZAR13.57 at 25 June 2018, being the Business Day immediately before the date of the publication of the terms announcement on SENS in respect of the Proposed Transactions;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012;
"First Independent Power" or **"the Seller"**	First Independent Power (Kenya) Limited, (Registration number C.71653), a company incorporated in accordance with the laws of Kenya and the seller of 100% of the issued share capital of IberAfrica; and a wholly owned subsidiary of Global Power;
"Form of Proxy"	the Form of Proxy attached to and forming part of this Circular;
"Founders"	N Gugushe and ECMB Kikonyogo, the founders of AEP;
"General Meeting"	the General Meeting of Shareholders to be held at the offices of AEP, 2nd Floor, 28 Fricker Road, Illovo at 10:00 on Thursday, 25 October 2018 convened in terms of the Notice of General Meeting;
"Global Power" or **"the Guarantor"**	Global Power Generation Sociedad Anónima, (CIF: A61713301), a company which is: (i) registered under the laws of Spain, (ii) the holding company of the Seller, and (iii) the guarantor of the Seller's obligations in favour of AEP in terms of the Acquisition;
"IberAfrica"	IberAfrica Power (East Africa) Limited (Registration number C.70420), a private company incorporated in accordance with the laws of the Republic of Kenya;
"IFRS"	International Financial Reporting Standards;
"Independent Expert"	PSG Capital Proprietary Limited (Registration number 2006/015817/07), incorporated in accordance with the laws of South Africa and appointed to provide the independent opinion as to the fairness of the Related Party Share Issues, as detailed in paragraphs 5.2 and 5.3 of the Circular;
"Independent Reporting Accountants"	collectively, or individually (as the context may imply); (i) Deloitte, being the Independent Reporting Accountant to AEP; and (ii) PWC, being the independent Reporting Accountant to IberAfrica;
"Initial Escrow Agreement"	the escrow agreement, dated 6 April 2017, entered into between the Company and Rand Merchant Bank (a division of FirstRand Bank Limited) in order to comply with paragraph 4.36 of the Listings Requirements;
"Issue Price"	a minimum price of R11.00 per Share;

"JSE"	JSE Limited (Registration number 2005/022939/06), incorporated in accordance with the laws of South Africa which is licensed as an exchange under the Financial Markets Act;
"KPLC"	Kenya Power and Lighting Company Limited (Registration number C 1/22), a public listed company registered in accordance with the laws of the Republic of Kenya;
"Last Practicable Date"	Thursday, 13 September 2018, being the last practicable date prior to the finalisation of this Circular and as at which date all information in this Circular has been provided;
"Listing"	the listing of the Company's Shares on the AltX on 30 June 2017;
"Listings Requirements"	the Listing Requirements of the JSE, as amended from time to time;
"LNG"	liquefied natural gas;
"LPD Exchange Rate"	the USD:ZAR exchange rate as at the Last Practicable Date, being USD1/R14.94;
"Management Agreement"	the management agreement, dated 9 April 2017, entered into between the Company and the Manager, as amended from time to time by the parties;
"MOI"	the memorandum of incorporation of the Company as at the Last Practicable Date;
"MW"	megawatt;
"NAV"	net asset value per Share, calculated as total assets less total liabilities, divided by the number of Shares in issue;
"Notice of General Meeting"	the notice of the General Meeting attached to and forming part of this Circular;
"NSPP1"	the 51.07 MW diesel-fired power plant, situated in Nairobi, Kenya, which is owned and operated by IberAfrica;
"NSPP2"	the 52.50 MW diesel-fired power plant, situated in Nairobi, Kenya, which is owned and operated by IberAfrica;
"Own-name Registration" or **"Own-name Dematerialised Shareholders"**	Dematerialised Shareholders who have registered their Shares in their own name with a CSDP or Broker in terms of the Financial Markets Act;
"the PIC"	Public Investment Corporation (SOC) Limited (Registration number 2005/009094/30), a state-owned company duly incorporated in accordance with the laws of South Africa and a 49% Shareholder in AEP as at the Last Practicable Date;
"the PIC Subscription"	the agreement between the PIC and the Company dated 19 September 2018 in terms of which, subject to implementation of the Specific Issue, the PIC will subscribe for up to USD49 million worth of AEP Shares at the Issue Price, constituting not more than 49% of the Specific Issue Shares, in terms of the Specific Issue;
"Power Purchase Agreement"	the power purchase agreement entered into between IberAfrica and KPLC for NSPP1 and NSPP2;
"Proposed Transactions"	the Acquisition and the Specific Issue;
"Prospectus"	AEP's Prospectus, dated 9 May 2017, relating to its Listing;
"Purchase Consideration"	a maximum aggregate amount of USD61 569 066;

"Questco"	collectively, Questco Corporate Advisory Proprietary Limited (Registration number 2011/106751/07) and Questco Proprietary Limited (Registration number 2002/005616/07), companies incorporated in accordance with the laws of South Africa and the Company's duly appointed Designated Advisor, Corporate Advisor and Bookrunner, respectively;
"Related Parties"	collectively, Destiny, Trodera, the PIC and Ebotos;
"Related Party Share Issues"	the Destiny/Trodera Subscription, the PIC Subscription and the Ebotos Subscription;
"Resolutions"	the ordinary and special resolutions set out in the Notice of General Meeting attached to and forming part of this Circular, which resolutions are required to be approved by Shareholders in order to give effect to the Proposed Transactions;
"SENS"	the Stock Exchange News Service of the JSE;
"Shares" or **"Ordinary Shares"**	ordinary shares of no par value in the authorised and issued share capital of the Company;
"Shareholders"	the holders of Shares in the issued ordinary share capital of the Company;
"South Africa"	the Republic of South Africa;
"SOCI"	the statement of profit and loss and other comprehensive income;
"SOFP"	the statement of financial position;
"SPAC"	a special purpose acquisition company as defined in terms of the Listings Requirements;
"Specific Issue"	the proposed issue by the Company of the Specific Issue Shares, at the Issue Price, in terms of which the Company will raise a cash amount which shall be used to fund, *inter alia*, the repayment of the Barak Facility (including interest and charges thereon) and related transaction costs;
"Specific Issue Shares"	a maximum of 136 500 000 Shares to be issued by the Company at the Issue Price pursuant to the Specific Issue;
"Strate"	Strate Proprietary Limited (Registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa, and a licensed central securities depository in terms of the Financial Markets Act;
"TNAV"	tangible net asset value per share, calculated as total tangible assets less total liabilities, divided by the number of Shares in issue;
"Trodera"	Trodera Proprietary Limited (Registration number 2015/398447/07), incorporated in accordance with the laws of South Africa, which is owned in equal shares by Directors, N Gugushe and ECMB Kikonyogo;
"Transfer Secretaries"	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a limited liability private company incorporated in accordance with the laws of South Africa and the transfer secretary to AEP;
"USD"	the United States dollar, the lawful currency of the United States of America;
"Viable Asset"	an asset or assets which, once acquired, will enable the Company to qualify for a listing other than as a SPAC, pursuant to the listing criteria of the AltX; and
"ZAR" or **"R"** or **"Rand"**	South African Rands, being the lawful currency of South Africa.

AEP ENERGY AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2017/024904/06)
JSE share code: AEY ISIN: ZAE000241741
("**AEP**" or "**the Company**")

Directors

Executive

ECMB Kikonyogo (Chief Executive Officer)
N Gugushe (Chief Operating Officer)
KG Simons (Chief Financial Officer)

Independent Non-executive

DW Wright (Chairperson)
CJ Dooling (née Cloete)
SM David
MM Kekana
SS Sibiya

Non-executive

TP Leeuw
MS Moloko
ONW Petersen

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION AND PURPOSE OF THIS CIRCULAR

Shareholders are referred to the announcements released by the Company on SENS on 26 June 2018 and 2 July 2018, advising shareholders of the Acquisition, the Destiny/Trodera Subscription and the Ebotos Subscription, respectively.

AEP is listed on the AltX as a SPAC and is required, in terms of the Listings Requirements, to complete the acquisition of a Viable Asset within 24 (twenty four) months of its Listing. The Acquisition, if implemented, will constitute the acquisition of a Viable Asset and will result in AEP no longer being classified as a SPAC.

Pursuant to the JSE's guidance letter dated 13 June 2017, the JSE will treat the acquisition of a Viable Asset by a SPAC as a category 1 transaction. In terms of the Listings Requirements, the Acquisition, being a category 1 transaction, requires the approval of a simple majority of Shareholders in general meeting.

The Company has concluded the Barak Loan Agreement for the purposes of funding the Acquisition and related transaction costs. The Barak Facility is repayable by the Company within 12 months of the date of utilisation by the Company of the funds advanced under the Barak Loan Agreement (which is expected to be the Effective Date) and accordingly the Company intends to implement the Specific Issue in order to raise sufficient equity capital to, *inter alia*, repay the Barak Facility (including interest and charges) and any related transaction costs.

The Company has entered into subscription agreements with the Related Parties in terms of which the Related Parties have agreed to subscribe for a portion of the Specific Issue Shares in the proportions set out in paragraph 3.2. The Related Party Share Issues constitute issues of shares to related parties of AEP for cash and accordingly, in terms of the Listings Requirements, remain subject to approval by Disinterested Shareholders.

The purpose of this Circular is to furnish Shareholders with all the relevant information relating to the Proposed Transactions in accordance with the Listings Requirements and/or the Companies Act, and to convene a General Meeting of Shareholders in order for them to consider and, if deemed fit, to approve, with or without amendment, the Resolutions set out in the Notice of General Meeting attached to and forming part of this Circular.

2. DETAILS OF THE ACQUISITION

In terms of the Acquisition Agreement, the Company will acquire from First Independent Power and Global Power (as set out below), 100% of the issued share capital of IberAfrica, together with all shareholders' claims against IberAfrica, for the Purchase Consideration (being an amount of USD61 569 066).

The Purchase Consideration is comprised as follows:

- USD17 336 591 for the purchase of 10 931 250 ordinary shares in IberAfrica, representing 100% of the issued shares in IberAfrica as at the Last Practicable Date; and
- USD44 232 475 for the purchase of a promissory note, representing an outstanding loan amount pertaining to a revolving cash facility agreement and a long term loan agreement due and owing by IberAfrica to Clover.

The Acquisition Agreement provides for terms customary to agreements of this nature and includes, *inter alia*:

- negotiated warranties, undertakings, indemnities, limitation on liabilities which are considered customary for a transaction of this nature;
- provisions governing the operation of IberAfrica's business between the signature date and the Effective Date, including limitations (in favour of AEP) on, *inter alia*, the ability of IberAfrica to declare a dividend or repay any loans owing to the Seller, which provisions are standard for an agreement of this nature;
- a specific material adverse changed-based termination right; and
- requirements (in favour of AEP) stipulating that the value of the promissory note must be USD44 232 475 at the Effective Date, which requirement will likely result in a return of cash to IberAfrica by means of a drawdown from Clover of not less than USD12 000 000.

In terms of the Acquisition Agreement, the Guarantor guarantees the punctual performance and observance by the Seller of its obligations to, or for the benefit of, the Company of all of the Seller's obligations, commitments and undertakings to under the Acquisition Agreement.

2.1 Rationale for the Acquisition and AEP's strategy

As stated in the Prospectus, AEP's vision is to significantly increase the access to, and the use of, a variety of clean energy products for African countries, their industries and their citizens. In order to achieve this, the Company intends on owning and operating a network of energy assets such as power plants, fuel terminals and distribution logistics which produce, transport, store or handle for profit under long-term supply contracts, products such as electricity, steam, biomass and natural gas.

The Acquisition, once implemented, will present AEP with an opportunity to, in due course, convert the currently diesel-fired engines of NSPP1 and NSPP2 to run on LNG, thereby enhancing long-term value proposition to KPLC, return on investment to AEP, while also taking a first step towards entering the LNG value chain, in line with its strategy as outlined above.

2.2 **Overview of IberAfrica and the Kenyan power market**

IberAfrica owns and operates two diesel-fired power plants, referred to as NSPP1 and NSPP2. IberAfrica currently has the Power Purchase Agreement in place with KPLC in respect of NSPP1 and NSPP2. KPLC is the sole utility licensed to purchase and distribute grid-connected electricity in Kenya. KPLC is listed on the Nairobi Stock Exchange, with 50.1% of its shares held by the Government of Kenya.

IberAfrica accounts for approximately 5% of the total installed electricity generation capacity in Kenya. It is located in Nairobi South, a major industrial and middle-to-low income residential zone in Kenya. Nairobi accounts for approximately 50% of all electricity consumed in Kenya, with Nairobi South accounting for approximately 50% of Nairobi's electricity consumption. IberAfrica's location in Kenya's highest electricity demand regions makes IberAfrica strategic to Kenya's and Nairobi's electricity security.

IberAfrica's Power Purchase Agreement is structured on a plant availability basis, comprising plant availability revenues, electricity generation revenues and fuel cost recovery revenues, all of which are denominated in USD. The revenues derived from plant availability comprise the majority of IberAfrica's revenues in normal years, meaning that IberAfrica's income is relatively predictable year on year, provided that its generating capacity is well-maintained and is kept within contracted parameters. Since start up in 1997, IberAfrica has maintained plant availability at levels in excess of 90%, well above the 85% minimum availability stipulated in its Power Purchase Agreement. In abnormal years, where Kenya's hydro capacity has been diminished by drought, IberAfrica may earn more in energy generation revenues, but always in addition to plant availability revenues. The company's predictable revenues translate into predictable earnings before interest, tax, depreciation and amortisation since asset depreciation and operating and maintenance costs are easily measured and strictly controlled, and fuel costs are directly reimbursed by the company's sole customer, KPLC.

2.3 **Information relating to the Seller**

The Seller is owned and controlled by Global Power, which is an incorporated joint venture between Naturgy Energy Group S.A. (formerly Gas Natural SDG Sociedad Anónima, trading as Gas Natural Fenosa) and the Kuwait Investment Authority (through its subsidiary, Wren House Infrastructure Management Limited, a company incorporated in the United Kingdom).

2.4 **Funding arrangements**

The Acquisition and related costs of R114 million including the debt and equity-raising costs, will be funded from the Barak Facility. Access to the Barak Facility is conditional upon, *inter alia*, the Acquisition being declared unconditional.

At the Last Practicable Date, AEP had entered into the Barak Loan Agreement for the purpose of funding the Purchase Consideration. The salient features of the Barak Loan Agreement are set out below:

- the rate of interest for purposes of the Barak Facility shall be a rate of 7.75% per annum, which shall accrue on day-to-day basis of a 360-day year and shall be compounded annually in arrears;
- AEP shall pay to Barak a non-refundable raising fee in the amount equal to 2.5% of the Barak Facility amount;
- the Barak Facility is repayable in full by no later than the date that is 12 months after the funds have been made available to AEP;
- up to an amount of USD20 million of the Barak Facility may be refinanced by mutual consent of AEP and Barak; and
- the Barak Facility is secured by means of a negative pledge over the assets of AEP.

The negative pledge referred to above stipulates that AEP may not, *inter alia*, create any mortgage bond, notarial bond, cession in security, charge, pledge, hypothec, lien or other security interest or agreement having a similar effect over any of its assets, for the purposes of securing an obligation of third party.

The Barak Loan Agreement contains legal warranties and indemnities which are considered normal in respect of a loan of this nature.

It is anticipated that the Barak Facility will be repaid from the proceeds of the Specific Issue as further detailed in paragraph 4.

2.5 **Shareholders' support**

AEP has received a letter of support from the PIC, which holds approximately 49% of the AEP Shares in issue, in respect of a Shareholder vote in favour of the requisite resolutions to give effect to the Acquisition.

Furthermore, the PIC will participate in the Specific Issue by way of the PIC Subscription.

2.6 **Conditions precedent**

The implementation of the Acquisition remains subject to, *inter alia*, the fulfilment and/or, where applicable, waiver, of the following conditions precedent, which are customary for a transaction of this nature:

- written approval for the implementation of the Acquisition from the Kenyan Competition authorities having been obtained, either unconditionally or subject to such conditions as are acceptable to the relevant party subject to a specific threshold;
- written consent for the implementation of the Acquisition from the Energy Regulatory Commission of Kenya having been obtained;
- written consent for the implementation of the Acquisition from KPLC in terms of certain lease agreements with IberAfrica having been obtained; and
- AEP having obtained shareholder approval, for implementation of the Acquisition as a category 1 transaction, by way of an ordinary resolution of AEP Shareholders at the General Meeting.

2.7 **Retention amount**

AEP shall be entitled to retain USD1 569 066 of the Purchase Consideration from the Seller, which amount is to be held in escrow with the Escrow Agent, in accordance with the Acquisition Escrow Agreement, for a maximum period of 24 months from the Effective Date, as security for any amounts which may become payable by the Seller to AEP as a result of any breaches by the Seller of its warranties and indemnities under the Acquisition Agreement.

2.8 **Effective Date**

The effective date of the Acquisition will be the business day that is the 15th business day after the date on which all conditions precedent set out in paragraph 2.6 are fulfilled and/or, where applicable, waived. For the purposes of this paragraph 2.8, "business day" means any day other than a Saturday, Sunday or statutory public holiday, on which banks in Madrid (Spain), Nairobi (Kenya) and Johannesburg (South Africa) are open for business.

The economic effective date is 1 January 2018. Accordingly, should the Acquisition be implemented, AEP will be entitled to retain the cash balances generated from operations from 1 January 2018.

2.9 **Other aspects relating to the Acquisition**

Subject to the implementation of the Acquisition, IberAfrica will become a wholly-owned subsidiary of AEP and AEP will ensure that no provisions contained in IberAfrica's articles of association will frustrate or relieve AEP in any way from compliance with its obligations in terms of the Listings Requirements.

2.10 **Guarantees, restrictions and income tax considerations**

- The Company has not acquired any material assets in the three years preceding the Last Practicable Date.
- No financial guarantees have been given by the Sellers pursuant to any book debts and/or other assets. Other warranties which are normal for this type of transaction have been provided.
- No restrictions are imposed on the Sellers nor are any restraints of trade applicable.
- There is no liability for accrued taxation.

- No promoter has been involved in the Acquisition and no promoter's fees have been paid in the three years preceding the Last Practicable Date.
- A reconciliation in respect of the Purchase Consideration paid for the IberAfrica securities and 100% of the net assets of IberAfrica is set out below:

	USD	**ZAR***
Purchase consideration	17 336 595	259 008 729
Net assets acquired#	(28 840 197)	(430 872 543)
Gain on bargain purchase	11 503 602	171 863 814

** Calculated applying the LPD Exchange Rate.*

 # Extracted from the audited annual financial statements of IberAfrica for the year ended 31 December 2017, being the most recent annual financial statements.

2.11 Accounting policy in respect of goodwill

All business combinations are accounted for by applying the "acquisition method". Goodwill represents amounts arising on the acquisition of subsidiaries. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment. A gain on bargain purchase arising on an acquisition is recognised immediately in profit or loss.

2.12 Historical financial information of IberAfrica

The historical financial information of IberAfrica is set out in Annexure 4 and the Independent Reporting Accountant's report thereon is set out in **Annexure 5**.

3. SPECIFIC ISSUE

3.1 The Specific Issue

In terms of the Specific Issue, the Board will seek authority from Shareholders at the General Meeting to issue up to a maximum of 136 500 000 new Shares at the Issue Price.

In terms of the Listings Requirements, the Specific Issue requires approval by Disinterested Shareholders by way of an ordinary resolution with a 75% voting approval.

The Shares to be issued in terms of the Specific Issue carry voting rights that exceed 30% of the voting rights attributable to the Shares currently in issue and accordingly section 41(3) of the Companies Act applies to the Specific Issue. As such, Shareholders are also further required to approve the issue of such Shares by means of a special resolution in terms of section 41(3) of the Companies Act.

The Specific Issue is conditional upon the approval of the Acquisition and the Acquisition becoming unconditional.

The Board reserves the right to accept or refuse any applications in respect of the Specific Issue, either in whole or in part, or to abate any or all applications (whether or not received timeously) (and to allocate Specific Issue Shares) in such manner as they may, in their sole and absolute discretion, determine, having regard *inter alia*, to factors such as spread requirements and pricing. The Board will use its best endeavours to maximise the allocations of Shares to public shareholders to the extent possible in order to comply with the Listings Requirements.

3.2 The Related Party Share Issues

The Company has entered into subscription agreements with the Related Parties in terms of which the Related Parties have agreed, subject to certain conditions, to subscribe for the following number of Shares issued pursuant to the Specific Issue, at the Issue Price:

Related party	Value of committed subscription
PIC	USD49 million or 49% of the Specific Issue Shares, whichever is the lower
Destiny and/or Trodera	35 490 000 Specific Issue Shares
Ebotos	13 650 Specific Issue Shares

Further information in respect of the Related Party Share Issues is included below.

3.2.1 ***The PIC Subscription***

The PIC has entered into an agreement with the Company in terms of which it shall subscribe for a maximum of 66 885 000 Specific Issue Shares, resulting in a percentage ownership of no greater than 49% of the Specific Issue Shares at the Issue Price. The maximum aggregate subscription amount payable by the PIC for the Specific Issue Shares shall be the Rand equivalent of USD49 000 000.

The PIC Subscription remains subject to the following conditions precedent:

- the successful conclusion of the proposed Acquisition of IberAfrica by the Company and the Acquisition becoming unconditional;
- the receipt of the requisite majority of votes in favour of the PIC Subscription from Disinterested Shareholders in general meeting.

The PIC, being a material shareholder of the Company, is a Related Party in terms of paragraph 10.1(b)(i) of the Listings Requirements.

In terms of the Listings Requirements, the PIC Subscription therefore constitutes a related party transaction and requires approval by Shareholders in terms of an ordinary resolution. The PIC and its associates will be excluded from voting on this resolution at the General Meeting but will however be taken into account for the purpose of determining a quorum for the General Meeting.

In addition, the PIC may be "*related or inter-related*" (as such terms are construed in section 2 of the Companies Act) to the Company, and consequently, as prescribed by section 41(1)(b) of the Companies Act, any issue of Shares pursuant to the PIC Subscription requires the approval of Shareholders by way of special resolution.

3.2.2 ***The Destiny/Trodera Subscription***

Destiny and Trodera have entered into a tripartite agreement with the Company in terms of which either one of them, or both, will, subject to certain conditions precedent set out below, subscribe for up to 35 490 000 Shares issued in terms of the Specific Issue (comprising up to 26%, in aggregate, of the Specific Issue Shares) at the Issue Price.

The Destiny/Trodera Subscription is intended to achieve several attributes desirable for South African companies, including *inter alia*:

- a substantial self-financed black shareholding in the Company;
- a strong alignment of interests between the founders and executive management team with the interests of all other shareholders; and
- a mechanism through which the interests of key personnel of future investee companies and the Related Parties can be aligned with those of AEP Shareholders, in the form of a share incentivisation scheme to be implemented by Destiny.

The Destiny/Trodera Subscription remains subject to the following conditions precedent:

- the successful conclusion of the proposed Acquisition of IberAfrica by the Company and the Acquisition becoming unconditional;
- the successful raising of funding by Destiny and/or Trodera for purposes of the Destiny/Trodera Subscription; and
- the receipt of the requisite majority of votes in favour of the Destiny/Trodera Subscription from Disinterested Shareholders in general meeting.

Destiny is an associate of N Gugushe, ECMB Kikonyogo, TP Leeuw and MS Moloko, who are Directors, and is accordingly a Related Party to the Company in terms of paragraph 10.1(b)(vii) of the Listings Requirements. It is also the Manager of AEP.

Trodera is an associate of N Gugushe and ECMB Kikonyogo, who are Directors, and is accordingly a Related Party to the Company in terms of paragraph 10.1(b)(vii) of the Listings Requirements.

In terms of the Listings Requirements, the Destiny/Trodera Subscription requires approval by Shareholders in terms of an ordinary resolution. Destiny, Trodera and their associates will be excluded from voting on this ordinary resolution at the General Meeting but will however be taken into account for the purpose of determining a quorum for the General Meeting.

In addition, Destiny and Trodera may be "*related or inter-related*" (as such terms are construed in section 2 of the Companies Act) to the Company and/or the aforementioned Directors, and consequently, as prescribed by section 41(1)(b) of the Companies Act, any issue of Shares pursuant to the Destiny/Trodera Subscription requires the approval of Shareholders by way of special resolution.

3.2.3 ***The Ebotos Subscription***

Ebotos has entered into an agreement with the Company in terms of which it will subscribe for up to 13 650 Shares issued in terms of the Specific Issue (comprising up to 0.01%, in aggregate, of the Specific Issue Shares) at the Issue Price.

The Ebotos Subscription remains subject to the following conditions precedent:

- the successful conclusion of the proposed Acquisition of IberAfrica by the Company and the Acquisition becoming unconditional; and
- the receipt of the requisite majority of votes in favour of the Ebotos Subscription from Disinterested Shareholders in general meeting.

Ebotos, whose issued shares are 100% held by SS Sibiya, a Director, is a Related Party in terms of paragraph 10.1(b)(vii) of the Listings Requirements.

In terms of the Listings Requirements, the Ebotos Subscription therefore constitutes a related party transaction and requires approval by Shareholders in terms of an ordinary resolution. Ebotos and its associates will be excluded from voting on this resolution at the General Meeting but will however be taken into account for the purpose of determining a quorum for the General Meeting.

In addition, Ebotos may be "*related or inter-related*" (as such terms are construed in section 2 of the Companies Act) to the Company and/or aforementioned Director, and consequently, as prescribed by section 41(1)(b) of the Companies Act, any issue of Shares pursuant to the Ebotos Subscription requires the approval of Shareholders by way of special resolution.

3.2.4 ***Fairness Opinion in respect of the Related Party Share Issues***

In terms of the Listings Requirements, the Company has appointed the Independent Expert to opine on whether the terms and conditions of the Related Party Share Issues are fair in so far as the Shareholders of the Company (excluding the Related Parties) are concerned. The fairness opinion provided by the Independent Expert, which concluded that the terms of the Related Party Share Issues are fair, is set out in **Annexure 1.**

4. EFFECT OF THE ACQUISITION AND SPECIFIC ISSUE ON AEP

4.1 *Pro forma* financial effects of the Acquisition and the Specific Issue

The *pro forma* financial effects of the Acquisition and Specific Issue, for which the Directors are responsible, are provided for illustrative purposes only, to show the effect thereof on the basic earnings per Share ("EPS") and headline earnings per Share ("HEPS") as if they had taken effect on 24 January 2017 (being the date of incorporation of AEP), and on net asset value per Share ("NAVPS") and net tangible asset value per Share ("NTAVPS") as if the Acquisition and Specific Issue had taken effect on 31 December 2017. Because of their nature, the *pro forma* financial effects may not give a fair presentation of the Company's financial position subsequent to the Acquisition and the Specific Issue.

The *pro forma* financial effects are presented in a manner consistent with the format and accounting policies adopted by AEP and have been adjusted as described in the notes set out in **Annexure 3:**

	(i)	(ii)	(iii)	(iv)	(v)
	Before	**After the Acquisition**	**% change**	**After the Acquisition and the Specific Issue**	**% change**
EPS (cents)	(462)	3 119	775%	45	110%
HEPS (cents)	(462)	(1 892)	(310%)	(57)	88%
NAVPS (cents)	678	1 212	79%	1 062	57%
NTAVPS (cents)	678	1 205	78%	1 062	57%
Number of Shares in issue at period end ('000)	5 256	5 256	0%	141 756	2 597%

The percentage change in columns (iii) and (v) have been calculated as the aggregate percentage change as compared to column (i).

The *pro forma* consolidated statements of financial position and comprehensive income, before and after the Acquisition and the Specific Issue, together with notes regarding the adjustments, are set out in **Annexure 1.**

The Independent Reporting Accountants' reasonable assurance report on the *pro forma* financial information is set out in **Annexure 2.**

5. **FINANCIAL INFORMATION RELATING TO AEP**

5.1 **Responsibility**

The financial information set out in this Circular is the responsibility of the Directors.

5.2 **Adequacy of capital**

The Directors are of the opinion that the working capital available to AEP after the Acquisition, regardless of whether Shares are issued in terms of the Specific Issue, will be sufficient for AEP's present requirements, i.e. for at least the next twelve months from the date of issue of this Circular, and that:

- AEP will be able, in the ordinary course of business, to pay its debts;
- the assets of AEP will be in excess of the liabilities of AEP. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements;
- the share capital and reserves of AEP will be adequate for ordinary business purposes; and
- the working capital of AEP will be adequate for ordinary business purposes.

5.3 **Material changes**

Other than in respect of the Proposed Transactions, no material changes in the financial or trading position of AEP have taken place since the unaudited interim financial results for the six months ended 31 December 2017 were published.

No material changes in the financial or trading position of IberAfrica have taken place since the annual financial results for the year ended 31 December 2017 were prepared.

5.4 **Material borrowings**

At the Last Practicable Date, AEP had entered into an agreement in respect of the Barak Facility in the amount of USD70 million (ZAR1 045 800 000 at the LPD Exchange Rate) for the purpose of funding the Acquisition and related costs. The salient features of the Barak Facility are set out in paragraph 2.4 of this Circular.

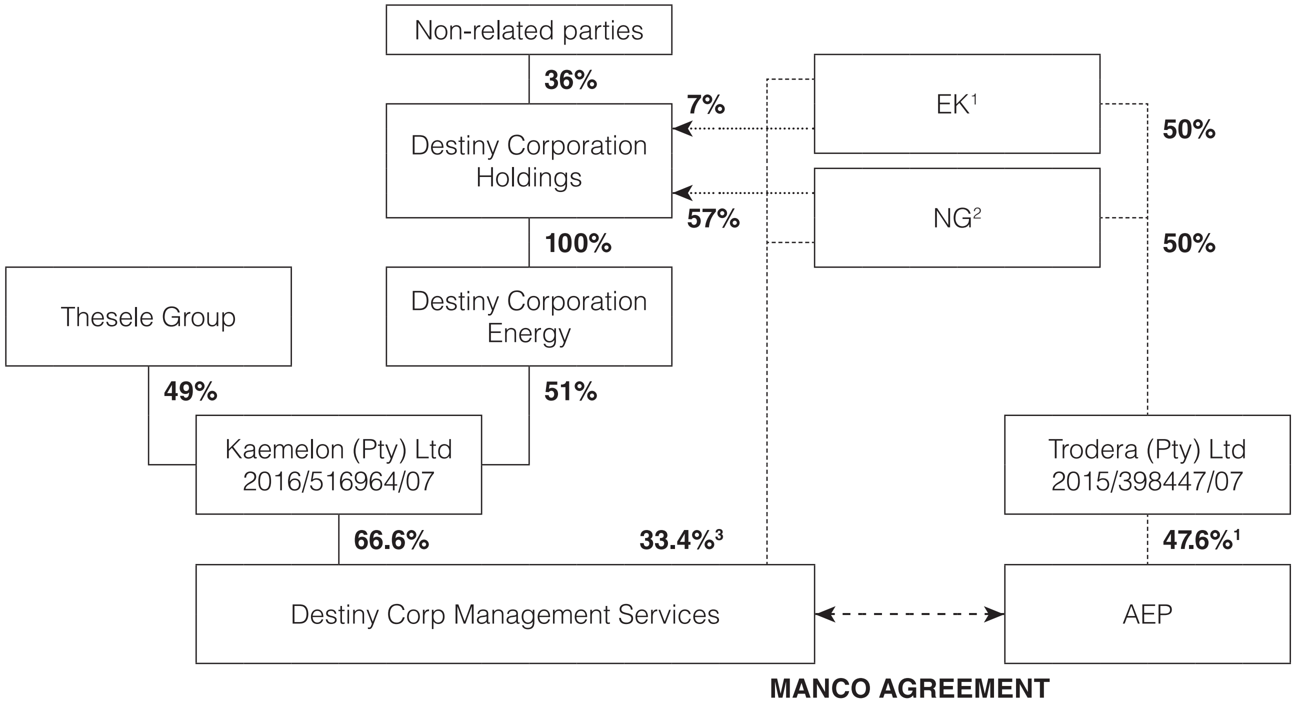
AEP has no loan capital. There are no loans receivable.

6. **INFORMATION RELATING TO AEP**

6.1 **History**

The Company was incorporated and registered in South Africa on 24 January 2017 as a private company with the name: "*African Energy Partners Proprietary Limited*". AEP was converted to a public company on 21 February 2017 and its Shares were listed on the AltX on 30 June 2017. The Company issued a Prospectus on 9 May 2017 for the purpose of raising capital and in terms thereof, issued 5 255 480 Shares at R10 per Share, thereby raising R52.5 million.

The beneficial ownership of the Manager and relationships with AEP are shown in the diagram below:



1. EK = Edwin Kikonyogo
2. NG = Nkosi Yawo-Gugushe
3 Split equally between EK and NG

There have been no changes in the trading objects of the Company since its Listing.

The controlling Shareholders of the Company are the PIC and Trodera.

There have been no changes in the controlling Shareholders and trading objects of the Company since its Listing.

The Board considers sound corporate governance practices to be a critical element in delivering sustainable growth for the benefit of all stakeholders in AEP. The Company's corporate governance and King Report on Corporate Governance review is set out in **Annexure 6** of this Circular.

6.2 **Nature of business**

AEP's business model is to pursue acquisition opportunities for the creation of a clean energy infrastructure and products business which will include the Company acquiring, owning and operating energy infrastructure assets that produce, transport, store, handle and sell a variety of energy products, including electricity steam, chilled and heat, as well as engage in the processing, transportation and sale of certain fuels, such as natural gas (in all its forms, as well as related manufactured gases such as liquid petroleum), refined fuels such as light/heavy fuel oil, as well as biomass (i.e. fuel that is developed from organic materials, such as woodchip which is environmentally sustainable and which is used to generate electricity and other forms of thermal energy).

AEP is focusing on opportunities in South Africa as well as across the African continent.

6.3 **Directors' opinion relating to prospects**

The Directors consider the prospects of the business to be favourable and anticipate a steady evolution of AEP through the implementation of its acquisitive strategy. The African continent has a significant electricity deficit and an equally significant under investment in energy logistics infrastructure. AEP is positioned to partner with a diverse group of energy and energy infrastructure project developers across the African continent by availing to them assured exit mechanisms from suitably structured and operational projects. This will create a virtuous cycle whereby project developers are able to recycle their capital into new projects, with AEP able to generate new investment opportunities, and African countries and their citizens achieve ever greater access to cleaner and more cost effective electricity and energy products and services.

IberAfrica gives AEP exposure to the attractive high growth Kenyan market, being one of the largest and most advanced economies in east and central Africa that has a significant dependence on expensive carbon intensive electricity that the Government of Kenya is actively addressing through the development and search for cleaner alternatives such as renewables and LNG. IberAfrica also gives AEP a substantial and highly skilled local workforce comprising of 82 individuals with skills ranging from electrical and mechanical engineering, to general corporate management and energy project development. These skills in combination with the extensive M&A skills of the AEP executive team, Kenya's aggressive search for cleaner energy alternatives and fast growing economy, as well as Kenya's positioning a gateway to the broader East Africa market, with a rapidly urbanising population in excess of 100 million people, positions AEP well for further energy investments in Kenya and the broader East African region.

AEP's prospects in South and Southern Africa are also favourable as this region's extensive natural gas resources are developed and LNG investments come on stream starting from around 2020. These resources and investments will likely spur downstream projects such as the Department of Energy's gas-to-power initiative, where AEP is increasingly positioned to play a significant role.

AEP is also assessing investment opportunities on the West Coast of the African continent which also faces a significant electricity and energy deficit, but has abundant operation natural gas and LNG resources. AEP has opportunities to partner with project developers in these regions to increase the utilisation of Africa's operational LNG liquefaction capacity for cleaner electricity and energy in these markets.

6.4 **Major shareholders**

At the Last Practicable Date, to the best of the Directors' knowledge and belief, the following Shareholders are beneficially interested in 5% or more of the issued share capital of the Company:

	Number of Shares	**% holding**
PIC	2 575 000	49.0
Executive directors of AEP (refer paragraph 7.3)	2 500 000	47.6

Based on the assumption that the Related Party Share Issues are implemented and 136 500 000 new Shares are issued at the Issue Price pursuant to the Specific Issue, the following Shareholders will be beneficially interested in 5% or more of the issued share capital of the Company:

	Number of Shares	**% holding**
PIC	69 460 000	49.0
Executive directors of AEP (refer paragraph 7.3)	37 990 000	26.8

6.5 **Material contracts**

6.5.1 **Material contracts entered into by AEP**

Other than the Acquisition Agreement and the Barak Loan Agreement explained in this Circular, the other material contracts concluded by the Company within the two years prior to the Last Practicable Date are the Management Agreement, the Initial Escrow Agreement and the Acquisition Escrow Agreement, all of which are open for inspection as detailed in paragraph 12.

6.5.2 **Material contracts entered into by IberAfrica**

Other than the existing Power Purchase Agreement with KPLC as detailed in paragraph 2.2, no other material contracts, other than the Acquisition Agreement dealt with in this Circular, have been entered into (either verbally or in writing) by IberAfrica during the two years preceding the Last Practicable Date.

6.5.3 **Other information relating to material contracts**

At the Last Practicable Date, no other contracts had been entered into by AEP or IberAfrica at any time, which contain an outstanding obligation or settlement that is material to either company.

At the Last Practicable Date, save for the Management Agreement, AEP had not entered into any agreements relating to the payment of technical, administration or secretarial fees nor is it a party to any material restraint of trade payments, or any agreements in terms of the payment of royalties.

There are no restrictive funding arrangements in respect of either AEP or IberAfrica.

6.6 **Litigation**

There are no legal or arbitration proceedings, including proceedings that are pending or threatened, of which AEP is aware, that may have or have had, in the 12-month period preceding the date of this Circular, a material effect on the financial position of AEP or IberAfrica.

6.7 **Share Capital**

The authorised and issued Share capital of the Company as at the Last Practicable Date is set out below:

	Stated capital
Authorised	
10 000 000 000 Shares	
Issued	
5 255 680 Shares	R48 741 085

The authorised and issued Share capital of the Company after the Specific Issue will be as follows:

	Stated capital
Authorised	
10 000 000 000 Shares	
Issued	
141 755 680 Shares*	R1 550 241 085

*Based on the assumption that 136 500 000 Shares are issued at the minimum Issue Price of R11.00 per Share.

No Shares are held in Treasury.

6.8 **Share trading history**

As the Company's Shares have not traded on the JSE since the Company's Listing, no trading information has been included in this Circular.

7. INFORMATION RELATING TO THE DIRECTORS

7.1 **Details**

The names of the Directors are set out in the "Corporate Information and Advisors" section of this Circular. The Directors will not change as a result of the Proposed Transactions.

7.2 **Remuneration**

There will be no variation in the remuneration receivable by any of the Directors as a consequence of the Proposed Transactions.

7.3 **Interests in Shares**

In terms of the Listings Requirements, and as the Company was initially listed as a SPAC, the Directors were required to hold at least a 5% shareholding in the Company on a collective basis.

Accordingly, at the Last Practicable Date, the following Directors beneficially held, directly or indirectly, 5% or more of the issued Share capital of the Company:

	Beneficial Direct	Indirect	Total shareholding	% shareholding
ECMB Kikonyogo*	100	1 250 000	1 250 100	23.8
N Gugushe*	100	1 250 000	1 250 100	23.8
SM David	1 000	–	1 000	#
SS Sibiya	2 000	–	2 000	#
	3 200	2 500 000	2 503 200	47.4

*Shares held in Trodera.

#Less than 1%.

Based on the assumption that 136 500 000 new Shares are issued at the minimum Issue Price of R11.00 per Share pursuant to the Specific Issue, the following Directors beneficially held, directly or indirectly, 5% or more of the issued stated capital of the Company:

	Beneficial Direct	Indirect	Total shareholding	% shareholding
ECMB Kikonyogo*	100	18 995 000	18 995 100	13.4
N Gugushe*	100	18 995 000	18 995 100	13.4
SM David	1 000	–	1 000	Less than 1%
SS Sibiya#	2 000	13 650	15 650	Less than 1%
	3 200	38 003 650	38 006 850	26.8

*Shares held in Trodera.

#Shares held in Ebotos.

7.4 **Interests in transactions**

Save as disclosed in this Circular, the Directors do not have any interest in any transaction, direct or indirect, which is material to the business of AEP, which was effected during the current or immediately preceding financial year or during an earlier financial year that remains in any respect outstanding or unperformed.

7.5 **Service contracts**

Letters of appointment were signed between the Company and each non-executive Director, in terms of which their appointments will continue until such time as they are terminated as a result of, among other things, the occurrence of any event specified in the MOI for the vacation of office as a non-executive Director, including, without limitation, retirement by rotation (which includes any requirement to resign at the first annual general meeting of the Company post implementation of the Listing) in accordance with the MOI. Each non-executive Director agreed to make himself available for re-election as a non-executive Director following his retirement at the first annual general meeting of the Company post implementation of the Listing. Each non-executive Director who wishes to resign shall give three months' written notice.

The Company has entered into service contracts with each executive Director. In terms of those contracts:

- ECMB Kikonyogo was appointed as the Chief Executive Officer of the Company;
- N Gugushe was appointed as the Chief Operations Officer of the Company; and
- KG Simons was appointed as the Chief Financial Officer of the Company.

The employment of each of the executive Directors will continue indefinitely, subject to termination by either the Company or the executive Director on not less than three months' written notice.

The Directors' service contracts are available for inspection as set out in paragraph 12.

8. GENERAL

8.1 Expenses

Preliminary expenses of R9.379 million were incurred during the past three years by the Company pursuant to its Listing and all of these expenses were paid in cash. No preliminary expenses were paid in the past three years by IberAfrica.

As stated above, the Company issued a Prospectus on 9 May 2017 for the purpose of raising capital and in terms thereof issued 5 255 480 Shares at R10 per Share, thereby raising capital of R52.5 million. Given that the Purchase Consideration exceeds the amount raised by the Company on Listing, it is implicit that the full amount of the capital raised on Listing will have been applied by the Company towards the funding of the Acquisition.

At the Last Practicable Date, the following estimated expenses of R114 million were provided for by the Company in respect of the Proposed Transactions:

Nature of expense	**Paid/payable to**	**Total costs R'000**
JSE Documentation fee	JSE	78
JSE Listing fee*	JSE	392
Sponsor	Questco	1 600
Capital raising fee*	Questco	12 590
Capital raising fee*	AM Associates – The Davidworth Group	12 875
Corporate Advisor	LiquidAfrica	18 397
Corporate Advisor	AM Associates Davidworth	810
Financial due diligence	Sizwe Ntsaluba Gobodo	350
Technical due diligence fees	Wartsila Finland Oy	2 095
Legal Advisor	Bowmans	6 000
Independent Expert	PSG Capital	155
Independent Reporting Accountants – *Pro formas*	Deloitte	160
Independent Reporting Accountants – IberAfrica	PwC	750
Transfer Secretary fees	Computershare	5
Bridge finance capital raising advisory	Kairu Mbuthia	10 458
Advisory closing fee to	Rosewall Management	10 458
Barak SPC Fund raising and legal fees	Barak	36 902
Printing and publication fees	INCE	10
Total		**114 086**

* Based on the assumption that 136 500 000 Shares are issued at the minimum Issue Price of R11.00 per Share.

8.2 Consents

Each of AEP's advisors namely Questco, PSG Capital, PricewaterhouseCoopers Inc., Deloitte & Touche, Bowmans, AM Associates – The Davidworth Group and Computershare Proprietary Limited have consented in writing to act in the capacities stated and to their names appearing in this Circular and have not withdrawn such consents prior to the issue of this Circular.

The Independent Expert and the Independent Reporting Accountants have given and have not withdrawn their consents to the inclusion of their reports in the form and context in which they are included in this Circular.

8.3 **Directors' responsibility statement**

The directors of AEP, whose names appear in the "Corporate information and Advisors" section of this Circular, collectively and individually accept full responsibility for the accuracy of the information given in this Circular and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Circular contains all the information required by law and the Listings Requirements.

9. OPINION AND RECOMMENDATION

The Board is of the opinion that the Acquisition is in the best interests of AEP Shareholders and should be supported, and unanimously recommends that Shareholders vote in favour of the relevant Resolution at the General Meeting.

The independent members of the Board have considered the terms of the Specific Issue and the Related Party Share Issues, together with the opinion issued by the Independent Expert, and are of the opinion that the terms thereof are fair to Disinterested Shareholders.

Each of the Directors who hold AEP Shares and are permitted to vote intends to vote his or her Shares in favour of the Resolutions as set out in the Notice of General Meeting.

10. GENERAL MEETING AND VOTING RIGHTS

10.1 **General Meeting**

Shareholders are referred to the "Action required by Shareholders" section of this Circular, which contains information as to the action they need to take in regard to the General Meeting.

10.2 **Voting rights**

The ordinary resolutions to be tabled at the General Meeting are subject to a simple majority vote being cast in favour thereof, other than as described in paragraph 3.2.

The special resolution to be tabled at the General Meeting is subject to a 75% majority vote.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at AEP's registered office, from the date of issue of this Circular, up to and including the date of the General Meeting:

- the Memorandum of Incorporation of AEP and the Articles of Association of IberAfrica;
- the Acquisition Agreement;
- the Management Agreement
- the Initial Escrow Agreement;
- the Barak Loan Agreement;
- the Acquisition Escrow Agreement;
- the agreements in respect of the Destiny/Trodera Subscription, the PIC Subscription and the Ebotos Subscription;
- the letter of support, set out in paragraph 2.5 of this Circular;
- the audited financial statements of AEP for the five months ended 30 June 2017 and the interim results for the six months ended 31 December 2017;
- the audited financial statements of IberAfrica for the year ended 31 December 2017;
- the opinion of the Independent Expert, the text of which is included in this Circular as Annexure 1;
- the Independent Reporting Accountants' to AEP reasonable assurance report on the *pro forma* financial information, the text of which is included in this Circular as Annexure 2;

- the Independent Reporting Accountants' to IberAfrica report on the historical financial information of IberAfrica, the text of which is included in this Circular as Annexure 4;
- directors' service contracts;
- the advisors' letters of consent; and
- a signed copy of this Circular.

SIGNED AT JOHANNESBURG ON 27 SEPTEMBER 2018 BY ECMB KIKONYOGO ON BEHALF OF ALL THE DIRECTORS OF AEP ENERGY AFRICA LIMITED IN TERMS OF POWERS OF ATTORNEYS SIGNED BY SUCH DIRECTORS:

…………………………………………..

INDEPENDENT EXPERT'S FAIRNESS OPINION ON THE SPECIFIC ISSUE

The Directors
AEP Energy Africa Limited ("**AEP**" or the "**Company**")
2nd Floor, 28 Fricker Road
Illovo
Sandton
South Africa

19 September 2018

Dear Sirs,

INDEPENDENT FAIRNESS OPINION IN RESPECT OF THE PROPOSED SPECIFIC ISSUE OF SHARES FOR CASH BY AEP TO RELATED PARTIES

1. **INTRODUCTION**

In terms of the SENS announcement released by AEP on 26 June 2018, shareholders were advised of the proposed acquisition of a Kenyan based diesel-fired power plant ("**IberAfrica**") for a maximum aggregate amount of USD61.6 million ("**Purchase Consideration**") (the "**Acquisition**"). The Acquisition constitutes the acquisition of a viable asset as per the JSE Listings Requirements ("**Listings Requirements**").

AEP will raise debt capital of USD70 million ("**Barak Facility**"), which will be used to acquire IberAfrica. The Barak Facility, and related transaction costs, will be repaid from the proceeds received through the specific issue of shares for cash ("**Specific Issue**"). The Specific Issue will be affected by AEP through the issue of up to a maximum of 136 500 000 shares at a minimum price of R11 per share ("**Issue Price**").

Destiny Corporation Management Services Proprietary Limited, Trodera Proprietary Limited and Ebotos Capital Proprietary Limited, associates of AEP directors, as well as the Public Investment Corporation (SOC) Limited, a material AEP shareholder, which classifies as related parties in terms of paragraph 10.1(b) of the Listings Requirements ("**Related parties**"), will participate in the Specific Issue (the "**Related Party Share Issues**"). The AEP board of directors (the "**Board**") has requested a fairness opinion by an independent expert as to whether the Related Party Share Issues, forming part of the Specific Issue, are fair as far as AEP shareholders are concerned.

(The Acquisition and the Specific Issue are here forth collectively referred to as the "**Proposed Transactions**")

Full particulars of the Proposed Transactions can be found in the circular to AEP shareholders ("**the Circular**") to be dated on or about Thursday, 27 September 2018, of which this opinion forms part.

2. **SCOPE**

PSG Capital Proprietary Limited ("**PSG Capital**") has been appointed by the independent Board as the independent professional expert to opine, in accordance with the Listings Requirements, on whether the terms and conditions of the Related Party Share Issues, forming part of the Specific Issue, are fair as far as AEP shareholders are concerned.

3. **RESPONSIBILITY**

Compliance with the Listings Requirements is the responsibility of the Board. Our responsibility is to opine on the terms and conditions of the Specific Issue, as they relate to AEP shareholders.

We confirm that our fairness opinion has been provided to the Board for the sole purpose of assisting the independent Board in forming and expressing an opinion for the benefit of AEP shareholders. We understand that the results of our work will be used by the Board to satisfy the requirements of the Listings Requirements.

4. **DEFINITION OF THE TERM "FAIR"**

In terms of Schedule 5 of the Listings Requirements, fairness is primarily based on quantitative issues. The Specific Issue will generally be considered to be fair to AEP shareholders if the consideration received from the Specific Issue is equal to or more than the value surrendered by shareholders.

We have applied the aforementioned principle in preparing our opinion on the Specific Issue. This fairness opinion does not purport to cater for individual shareholders' positions but rather the general body of shareholders subject to the Specific Issue. A shareholder's decision regarding fairness of the terms of the Specific Issue may be influenced by his or her particular circumstances (for example taxation and the original price paid for the shares). Should a shareholder be in doubt, he or she should consult an independent adviser as to the merits of the Specific Issue, considering his/her personal circumstances.

5. **SOURCES OF INFORMATION**

In the course of our valuation analysis, we relied upon financial and other information, including prospective financial information, obtained from AEP management and from various public, financial and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our independent valuation include:

- A draft of the Circular to be sent to AEP shareholders;
- The audited financial statements of AEP for the financial year ended 30 June 2017;
- The AEP unaudited management accounts for the 11-month period ended 31 May 2018;
- The Power Purchase Agreement between IberAfrica and Kenya Power and Lighting Company Limited;
- The IberAfrica audited annual financial statements for the financial years ended 31 December 2014 – 31 December 2017;
- The AEP management's detailed valuation model of IberAfrica, which includes all assumptions and forecasted financial information up to 31 December 2034;
- The IberAfrica management accounts for the 5-month period ended 31 May 2018 and the budgeted financials for the period 30 June 2018 to 31 December 2018;
- Operational and legal due diligence reports prepared by Wartsila Finland Oy and Bowman Gilfillan Inc., respectively ("**Due Diligence Reports**");
- Other financial and non-financial information and assumptions made by management and discussions held with management and directors regarding AEP's and IberAfrica's operations;
- Discussions with AEP directors and management regarding the financial information relating to prevailing market, economic, legal and other conditions which may affect the underlying value and the rationale for the Proposed Transactions;
- Comparative publicly available financial information on suitable peer-listed companies; and
- Publicly available information relating to AEP, IberAfrica and the industry in which they operate that we deemed to be relevant.

6. **ASSUMPTIONS**

We have arrived at our opinion based on the following assumptions:

- That the terms and conditions of the Proposed Transactions are legally enforceable;
- That the Related Parties will subscribe for shares under the same terms and conditions as any other participant in the Specific Issue;
- That reliance can be placed on the historical audited financial information and financial forecasts of AEP and IberAfrica used in the analysis;
- The current economic, regulatory and market conditions will not change materially;
- AEP and IberAfrica are not involved in any material legal proceedings;
- AEP an IberAfrica do not have outstanding disputes with any regulatory body, including the South African Revenue Service and the Kenyan Revenue Authority;
- There are no undisclosed contingencies that could affect the value of AEP and IberAfrica; and
- The Proposed Transactions will not give rise to any undisclosed tax liabilities.

7. **APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS**

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- Considering the historical trends of information and assumptions provided by AEP management;
- Comparing and corroborating such information and assumptions with external sources of information, to the extent that information is available; and
- Determining the extent to which representations from management and other industry experts were confirmed by documentary evidence as well as our understanding of AEP and the economic environment in which it operates.

8. **PROCEDURES**

In arriving at our opinion, we relied upon financial and other information, obtained from management together with industry-related and other information in the public domain. Our conclusion is dependent on such information being accurate in all material respects.

In arriving at our opinion, we have, *inter alia,* undertaken the following procedures in evaluating the fairness of the Specific Issue:

- Reviewed and analysed the audited financial statements of AEP for the financial year ended 30 June 2017;
- Reviewed and analysed the unaudited management accounts of AEP for the 11-month period ended 31 May 2018;
- Reviewed and analysed the audited financial statements of IberAfrica for the financial years ended 31 December 2014 – 31 December 2017;
- Reviewed and analysed the IberAfrica management accounts for the 5-month period ended 31 May 2018 and the budgeted financials for the period 30 June 2018 to 31 December 2018;
- Reviewed and assessed the reasonableness of the assumptions used by AEP management to prepare IberAfrica's forecasted financial information up to 31 December 2034;
- Reviewed the reasonableness of the information made available by and from discussions held with AEP management, *inter alia*:
  - the rationale for the Proposed Transactions;
  - the events leading up to the Proposed Transactions;
  - the current market conditions relating to AEP and IberAfrica; and
  - such other matters as we considered necessary.
- Where relevant, corroborated representations made by AEP management to source documents;
- Reviewed certain publicly available information relating to AEP and IberAfrica that we have deemed relevant;
- Obtained letters of representation from AEP management asserting that we have been provided with all relevant information and that no material information was omitted and that all such information provided to us is accurate in all respects; and
- Considered other relevant facts and information relevant to concluding this opinion.

9. **VALUATION METHODOLOGY**

In considering the Specific Issue, PSG Capital performed an independent valuation of AEP post the Acquisition to determine whether the Issue Price reflects fair value to AEP Shareholders.

For the purposes of our valuation our valuation methodology included:

- applying the income approach, as determined by the Discounted Cash Flow ("**DCF**") valuation approach on IberAfrica; and
- determining the fair value per AEP share pre- and post-implementation of the Proposed Transactions based on a net asset value basis.

Key internal value drivers identified include:

- IberAfrica's forecasted revenue, cost efficiencies and earnings before interest, tax, depreciation and amortisation ("**EBITDA**") margins which directly impacts the profitability and cash generating ability. Any decreases in the profitability and cash generated by IberAfrica will result in a decrease in the value attributable to IberAfrica and *vice versa*; and
- the optimal weighted average cost of capital ("**WACC**"). Any increase in the WACC applied would result in a decrease in the value of IberAfrica and *vice versa*.

The key value drivers as set out above are influenced by various factors, including, *inter alia*:

- the utilisation factor of the underlying units; and
- the ability of IberAfrica to achieve the forecasted revenue and profit growth.

Key external value drivers identified in the valuation of AEP include*, inter alia*:

- the ability of Kenya Power and Lighting Company Limited to honour its obligations in terms of the Power Purchase Agreement, the state of the Kenyan economy and changes in the regulatory environment in which IberAfrica and its underlying operations operate.

Sensitivity analyses were conducted, where practical, utilising key value drivers, which included, *inter alia,* the projected EBITDA margin and the WACC applied in the DCF valuation of IberAfrica.

A variance range of 2.5% up and down in the projected EBITDA margin applied and a variance range of 2.0% up and down in the WACC applied in the DCF valuation of IberAfrica, resulted in a variation range on the calculated value of AEP of 10.4% and 8.4% respectively.

10. OPINION

We have considered the terms and conditions of the Specific Issue as set out above, and our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by AEP management.

Based on the results of our procedures and analysis performed and after taking into account all financial and non-financial considerations, we are of the view, subject to the limiting conditions as set out below, that, the Related Party Share Issues, forming part of the Specific Issue are fair to AEP shareholders.

11. LIMITING CONDITIONS

This opinion is provided to the Board in connection with and for the purpose of the Specific Issue for the sole purpose of assisting the Board in forming and expressing an opinion for the benefit of AEP shareholders. This opinion is prepared solely for the Board and therefore should not be regarded as suitable for use by any other party or give rise to third party rights.

The forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently, this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those forecasted by the management of AEP.

We relied upon the accuracy of the information used by us in deriving our opinion, albeit that, where practicable, we have corroborated the reasonableness of such information and assumptions through, amongst other things, reference to historic precedent and our knowledge and understanding. Whilst our work has involved an analysis of the annual financial statements, forecasts and other information provided to us, our engagement does not constitute, nor does it include an audit conducted in accordance with applicable auditing standards. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided to us in respect of the Proposed Transactions.

The opinion expressed is necessarily based upon information available to us, the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us as at the date hereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals required in connection with the Proposed Transactions have been or will be properly fulfilled. Subsequent developments may affect our opinion; however we are under no obligation to update, revise or re-affirm such.

12. **INDEPENDENCE**

We have been retained by the Board as an independent expert to advise the Board in connection with the Specific Issue. We confirm in terms of Schedule 5 of the Listings Requirements that we have no material interest, direct or indirect, beneficial or non-beneficial in AEP and that our fees are not contingent upon the success or failure of the Proposed Transactions.

13. **CONSENT**

We hereby consent to the inclusion of this opinion and references thereto, in whole or in part, in the form and context in which they appear to be included in any required regulatory announcement or documentation regarding the Specific Issue.

Yours faithfully

RIAAN VAN HEERDEN

PSG CAPITAL PROPRIETARY LIMITED
(Registration number 2006/015817/07)
1st Floor, Ou Kollege Building
35 Kerk Street
Stellenbosch 7600
(PO Box 7403, Stellenbosch, 7599)

INDEPENDENT REPORTING ACCOUNTANTS' REASONABLE ASSURANCE REPORT ON THE *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION

The Directors
AEP Energy Africa Limited
28 Fricker Road
Illovo
2196

19 September 2018

Dear Sirs/Madams

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

Report on the Assurance Engagement on the Compilation of *Pro Forma* Financial Information Included in a Circular

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of AEP Energy Africa Limited by the directors. The *pro forma* financial information, as set out in paragraph 4 and Annexure 3 of the Circular ("the Circular"), to be dated on or about Thursday, 27 September 2018, consists of the *pro forma* consolidated statement of financial position, the pro forma consolidated statement of comprehensive income and related notes. The *pro forma* financial information has been compiled on the basis of the applicable criteria specified in the JSE Limited (JSE) Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the Acquisition, Specific Issue and the Barak Facility, as described in the Circular, on the Group's financial position as at 31 December 2017, and the Group's financial performance for the period then ended, as if the corporate action or event had taken place at 24 January 2017 for the purposes of the statement of financial performance and on 31 December 2017 for the purpose of the statement of financial position. As part of this process, information about the AEP Energy Africa Limited's ("Company") financial position as at 31 December 2017 and financial performance has been extracted by the directors from the Company's financial statements for the period ended 30 June 2017, on which an auditor's report was issued on 12 September 2017 and contained an unmodified opinion, and the unaudited Company's interim results for the six month period ended 31 December 2017.

Directors' Responsibility for the *Pro forma* Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in paragraph 8.15 to 8.33 in the Listings Requirements described in Paragraph 4 and Annexure 3 of the Circular.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

The firm applies the International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the Listings Requirements based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in the Circular.* This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

The purpose of *pro forma* financial information included in a prospectus is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgment, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the Listings Requirements and described in Paragraph 4 and Annexure 3 of the Circular.

Deloitte & Touche
Registered Auditor

Per: *Mandisi Mantyi*
Partner
19 September 2018

Deloitte Place
The Woodlands
Woodlands Drive
Woodmead
2052

PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The *Pro Forma* Financial Information has been prepared to illustrate the impact of the Acquisition and the Specific Issue on the statement of financial position of AEP as at 31 December 2017, had the Acquisition and Specific Issue been implemented on 31 December 2017 and the statement of comprehensive income of AEP in respect of the 11 months ended 31 December 2017, had the Acquisition and the Specific Issue been implemented on 24 January 2017 (being the date of incorporation of AEP).

The Directors of the Company are responsible for the compilation, contents and preparation of the *pro forma* financial information. Their responsibility includes determining that the *pro forma* Financial Information has been properly compiled on the basis stated, and that the *pro forma* adjustments are appropriate for purposes of the *pro forma* financial information disclosed pursuant to the Listings Requirements.

The *pro forma* financial information is provided for illustrative purposes only and, because of its *pro forma* nature, may not fairly present AEP's financial position, changes in equity, results of operations or cash flow nor the effect and impact of the Post Balance Sheet Events, the Disposal and the Specific Issue going forward.

The *pro forma* financial information has been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the interim financial results of AEP for the six months ended 31 December 2017.

The *pro forma* financial information is presented in accordance with the Listings Requirements and the Guide on *pro forma* financial information issued by the South African Institute of Chartered Accountants.

The Independent Reporting Accountants' report on the *pro forma* financial information is set out in **Annexure 2** of this Circular.

Pro forma CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

	(2) Unadjusted AEP statement of financial position as at 31 December 2017 'R000	(3) Acquisition of the IberAfrica shares and shareholder claims and the recognition of the Barak Facility 'R000	(4) Unadjusted IberAfrica statement of financial position as at 31 December 2017 'R000	(5) Consolidation entries for the Acquisition 'R000	(6)= (2)+(3)+(4)+(5) Consolidated pro forma statement of financial position after the Acquisition but before the Specific Issue 'R000	(7) Specific Issue and repayment of Barak Facility 'R000	(8)= (6)+(7) Consolidated pro forma after the Acquisition and the Specific Issue 'R000
ASSETS							
Non-current assets							
Property, plant and equipment	14	–	825 235	–	825 249	–	825 249
Intangible assets	–	–	327	–	327	–	327
Investment in subsidiary	–	760 692	–	(760 692)	–	–	-
	14	**760 692**	**825 562**	**(760 692)**	**825 576**	**–**	**825 576**
Current assets							
Inventories			118 981	–	118 981	–	118 981
Trade and other receivables	162	–	220 562	–	220 725	–	220 725
Cash and bank balances	37 776	(9 921)	962	–	28 818	577 438	606 256
	37 938	**(9 921)**	**340 506**	**–**	**368 524**	**577 438**	**945 961**
Total assets	**37 952**	**750 771**	**1 166 068**	**(760 692)**	**1 194 100**	**577 438**	**1 771 538**
Equity and liabilities							
Equity							
Share capital	48 741	–	222 392	(222 392)	48 741	1 501 500	1 550 241
(Accumulated loss)/Retained earnings	(13 099)	(114 086)	133 932	8 196	14 943	(59 205)	(44 262)
	35 642	**(114 086)**	**356 324**	**(214 195)**	**63 684**	**1 442 295**	**1 505 979**
LIABILITIES							
Non-current liabilities							
Borrowings	–	–	321 233	(321 233)	–	–	-
Deferred tax	–	–	135 213	–	135 213	–	135 213
	–	**–**	**456 446**	**(321 233)**	**135 213**	**–**	**135 213**

	(2) Unadjusted AEP statement of financial position as at 31 December 2017 ‘R000	(3) Acquisition of the IberAfrica shares and shareholder claims and the recognition of the Barak Facility ‘R000	(4) Unadjusted IberAfrica statement of financial position as at 31 December 2017 ‘R000	(5) Consolidation entries for the Acquisition ‘R000	(6)= (2)+(3)+(4)+(5) Consolidated pro forma statement of financial position after the Acquisition but before the Specific Issue ‘R000	(7) Specific Issue and repayment of Barak Facility ‘R000	(8)= (6)+(7) Consolidated pro forma after the Acquisition and the Specific Issue ‘R000
Current liabilities							
Trade and other payables	2 233	–	80 934	–	83 167	–	83 167
Borrowings	–	864 857	225 264	(225 264)	864 857	(864 857)	-
Provisions for other liabilities	–	–	37 270	–	37 270	–	37 270
Current tax payable	78	–	1 504	–	1 582	–	1 582
Dividends payable	–	–	8 326	–	8 326	–	8 326
	2 311	**864 857**	**353 299**	**(225 264)**	**995 202**	**(864 857)**	**130 345**
Total equity and liabilities	**37 952**	**750 771**	**1 166 068**	**(760 692)**	**1 194 100**	**577 438**	**1 771 538**
Number of Shares in issue*	**5 255 680**				**5 255 680**	**136 500 000**	**141 755 680**
Weighted average number of ordinary shares	**2 836 002**				**2 836 002**	**136 500 000**	**139 336 002**
NAV per share (cents)	**678**				**1 212**	**1 057**	**1 062**
TNAV per share (cents)	**678**				**1 205**	**1 057**	**1 062**

Notes and assumptions to the *pro forma* consolidated statement of financial position

1. The *pro forma* consolidated statement of financial position has been prepared on the assumption that the Acquisition (and therefore the raising of the Barak Facility) and the Specific Issue (and therefore the settlement of the Barak Facility) were effective on 31 December 2017.
2. Represents AEP’s unadjusted statement of financial position extracted from the published unaudited interim results of the Company for the interim period ended 31 December 2017, save for the inclusion of the following line items (at nil value) which form part of IberAfrica’s statement of financial position:
   a. Intangible assets
   b. Investment in subsidiary and shareholder loan
   c. Inventories
   d. Borrowings
   e. Deferred tax
   f. Provisions for other liabilities
   g. Dividends payable
3. Represents the *pro forma* financial effects of the Acquisition and the recognition of the Barak Facility (prior to any consolidation adjustments) taking into account the following adjustments:
   a. The shareholder claims in IberAfrica are acquired at their face value of USD44 232 471 (being R546 496 602 translated at Closing Exchange Rate) comprising the balance on the shareholder loan as at 31 December 2017 of USD35 187 506 (being R434 745 155 translated at the Closing Exchange Rate) plus the balance of the bank overdraft of USD9 044 965 (being R111 751 447 translated at the Closing Exchange Rate) which is required to be settled by the Purchaser prior to the Effective Date through an increase in the shareholder loan balance;
   b. The acquisition by AEP of 100% of the issued shares of IberAfrica for the balance of the purchase consideration of USD17 336 595 (being R214 195 365 translated at the Closing Exchange Rate);

c. An increase in the cash balance of AEP of R27 142 604 comprising:
   i. the proceeds from the Barak Facility detailed in (e) below;
   ii. less the consideration relating to the Acquisition of R760 691 967 (USD61 569 066 translated at the Exchange Rate); and
   iii. less the transaction costs relating to the Acquisition of R85 054 167.
d. The retained income effect of the of transaction cost expense in respect of the Acquisition of R85 054 167 (not tax deductible); and
e. The recognition of the Barak Facility for USD70 000 000 (being R864 857 000 translated at the Closing Exchange Rate).
f. For purposes of the *pro forma* statement of financial position, it is assumed that the Transaction is effective on 31 December 2017 and therefore no post-acquisition management fees are incurred on this date.

4. Represents the unadjusted statement of financial position of IberAfrica, as extracted from the audited unpublished annual financial statements of IberAfrica for the year ended 31 December 2017 which have been audited by PwC Nairobi, translated the Closing Exchange Rate.
5. The "Consolidation entries for the Acquisition" column represents the following consolidation adjustments:
   a. The elimination of the investment in IberAfrica (being the shares and shareholder loan account) with an aggregate value of USD61 569 066 (being R760 691 967 translated at the Closing Exchange Rate).
   b. The elimination of the share capital of IberAfrica of R222 391 800, assuming the minimum Issue Price of R11.00 per Share.
   c. An adjustment to retained earnings of R8 196 435, comprising:
      i. The elimination of the pre-acquisition reserves of IberAfrica of R133 931 718;
      ii. Less the retained income effect of the gain on bargain purchase of USD11 503 602 (being R142 128 153 translated at the Closing Exchange Rate) calculated as follows:

Purchase consideration attributable to the shares in IberAfrica	USD 17 336 595	R214 195 365
Less: Net identifiable assets of IberAfrica acquired	(USD 28 840 197)	(R356 323 518)
Gain on bargain purchase	(USD 11 503 602)	(R142 128 153)

   d. The elimination of the non-current portion of the intergroup shareholder loan balance acquired of R321 232 600; and
   e. The elimination of the current portion of the intergroup shareholder loan balance acquired of R225 264 002.
6. Represents the consolidated statement of financial position of AEP after the Acquisition but before the Specific Issue.
7. Represents the pro forma financial effects of the proceeds from the Specific Issue and the repayment of the Barak Facility, with the adjustments calculated as follows:
   a. the receipt of a net cash amount of R577 437 878 comprising:
      i. the proceeds of the Specific Issue of an aggregate R1 501 500 000 based on the assumption that the maximum number of Shares to be issued (being 136 500 000 Shares), are issued at the minimum Issue Price of R11.00 per Share;
      ii. less, the repayment of the capital amount on the Barak Facility of R864 857 000;
      iii. less, an early repayment penalty on the Barak Facility of R33 513 209 calculated as a 6-month interest charge and assuming an interest rate of 7.75%, which penalty arises as a result of the assumption applied that both the Acquisition, the Specific Issue and therefore the Barak Facility repayment, are implemented on 31 December 2017 for the purposes of these *pro forma* financial effects;
      iv. less, the payment of once-off capital raising and related transaction costs attributable to the Specific Issue in an aggregate amount of R25 691 913 (calculated based on the assumption that 136 500 000 Shares are issued pursuant to the Specific Issue, raising aggregate proceeds of R1 501 500 000).
   b. The recognition of the increase in the Share Capital as a result of the Specific Issue of the maximum of 136 500 000 Shares at the minimum Issue Price of R11.00 per Share, raising aggregate proceeds of R1 501 500 000, less capitalised transaction costs of R25 691 913.
   c. The retained earnings effect of the early repayment penalty detailed in 7(a)(iii) of R33 513 209 and the transaction costs relating to the Specific Issue which are not capitalised to share capital (of R994 220).
   d. The repayment of the capital amount on the Barak Facility of R864 857 000.
8. Represents the *pro forma* consolidated statement of financial position as at 31 December 2017 after the *pro forma* financial effects of the Acquisition and the Specific Issue and the consequential repayment of the Barak Facility.
9. There are no other events after the reporting date which require inclusion in the *pro forma* financial effects presented.

Pro forma CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2017

Statement of Comprehensive Income	(2) Unadjusted AEP audited annual SOCI for the 5 months ended 30 June 2017 'R000	(3) Unadjusted AEP Interim SOCI for the 6 months ended 31 December 2017 'R000	(2)+(3)=(4) Total AEP results for the year ended 31 December 2017 'R000	(5) *Pro forma* adjustments attributable to the Acquisition 'R000	(6) Unadjusted IberAfrica SOCI for the year ended 31 December 2017 'R000	(7) Consolidation entries for the acquisition of IberAfrica 'R000	(8)= (4)+(5)+(6)+(7) AEP Consolidated SOCI for the year ended 31 December 2017 'R000	(9) Specific Issue 'R000	(10)=(8)+(9) Consolidated *pro forma* SOCI after the Acquisition of IberAfrica the Specific Issue 'R000
Revenue	–	–	–	–	799 617	–	799 617	–	799 617
Cost of sales	–	–	–	–	(594 797)	–	(594 797)	–	(594 797)
	–	–	–		204 820	–	204 820	–	204 820
Unrealised foreign exchange gains		26	26	–	–	–	26	–	26
Other Income	–	–	–	–	10 572	–	10 572		10 572
Bargain Purchase	–	–	–	–	–	142 128	142 128	–	142 128
Admin overheads			–	–	(44 866)	–	(44 866)	–	(44 866)
Operating expenses	(6 162)	(7 862)	(14 024)	(126 739)	(4 866)	–	(145 629)	(25 692)	(171 321)
Total costs	(6 162)	(7 836)	(13 998)	(126 739)	(39 159)	142 128	(37 768)	(25 692)	(63 460)
Operating Profit	**(6 162)**	**(7 836)**	**(13 998)**	**(126 739)**	**165 661**	**142 128**	**167 052**	**(25 692)**	**141 360**
Interest received	35	1 227	1 262	62 861	316	(62 861)	1 578	–	1 578
Interest paid	–	–	–	–	(62 861)	26 731	(36 131)	–	(36 131)
Profit before income tax	**(6 127)**	**(6 609)**	**(12 736)**	**(63 878)**	**103 116**	**105 998**	**132 500**	**(25 692)**	**106 808**
Taxation	(10)	(354)	(364)	(17 601)	(26 077)	–	(44 043)	–	(44 043)
Profit after tax	**(6 137)**	**(6 963)**	**(13 100)**	**(81 479)**	**77 039**	**105 998**	**88 457**	**(25 692)**	**62 765**
Profit/(loss) attributable to shareholders	(6 137)	(6 963)	(13 100)	(81 479)	77 039	105 998	88 457	(25 692)	62 765
Total comprehensive income attributable to	(6 137)	(6 963)	(13 100)	(81 479)	77 039	105 998	88 457	(25 692)	62 765
Owners of parent	(6 137)	(6 963)	(13 100)	(81 479)	77 039	105 998	88 457	(25 692)	62 765
Non-controlling interests	–	–	–	–	–	–	–	–	-

Statement of Comprehensive Income	(2) Unadjusted AEP audited annual SOCI for the 5 months ended 30 June 2017 'R000	(3) Unadjusted AEP Interim SOCI for the 6 months ended 31 December 2017 'R000	(2)+(3)=(4) Total AEP results for the year ended 31 December 2017 'R000	(5) *Pro forma* adjustments attributable to the Acquisition 'R000	(6) Unadjusted IberAfrica SOCI for the year ended 31 December 2017 'R000	(7) Consolidation entries for the acquisition of IberAfrica 'R000	(8)= (4)+(5)+(6)+(7) AEP Consolidated SOCI for the year ended 31 December 2017 'R000	(9) Specific Issue 'R000	(10)=(8)+(9) Consolidated *pro forma* SOCI after the Acquisition of IberAfrica the Specific Issue 'R000
Number of Shares in Issue	**5 255 680**	**5 255 680**	**5 255 680**	**–**	**–**	**–**	**5 255 680**	**136 500 000**	**141 755 680**
Weighted average number of ordinary shares	**33 676**	**5 255 680**	**2 836 002**	**–**	**–**	**–**	**2 836 002**	**136 500 000**	**139 336 002**
Basic and diluted earning/(loss) per share (cents)	**(18 224)**	**(132)**	**(462)**	**–**	**–**	**–**	**3 119**		**45**
Basic and diluted headline earnings per share (cents)	**(18 224)**	**(132)**	**(462)**	**–**	**–**	**–**	**(1 892)**		**(57)**
Reconciliation of headline earnings:									
Profit/(loss) attributable to owners of the parent	(6 137)	(6 963)	(13 100)	(81 479)	77 039	105 998	88 457	(25 692)	62 765
Adjusted for:									
Impairment of assets	–	–	–		–	–	–	–	–
Cost associated with acquisition	–	–	–		–	–	–	–	–
Bargain Purchase gain	–	–	–		–	(142 128)	(142 128)	–	(142 128)
Impact on tax	–	–	–		–	–	–	–	–
	(6 137)	(6 963)	(13 100)	(81 479)	77 039	(36 131)	(53 671)	(25 692)	(79 363)

Notes and assumptions to the pro forma consolidated of comprehensive income

1. The *pro forma* consolidated statement of comprehensive income has been prepared on the assumption that the Acquisition (and therefore the raising of the Barak Facility) and the Specific Issue (and therefore the settlement of the Barak Facility) is effective on 24 January 2017 (being the date of incorporation of AEP).
2. Represents AEP's unadjusted statement of comprehensive income for the 5 months ended 30 June 2017 extracted from the audited published results of the AEP save for the inclusion of the following line items (with nil balances) which form part of IberAfrica's statement of comprehensive income:
   a. Revenue;
   b. Cost of sales;
   c. Other income;
   d. Administrative overheads; and
   e. Interest paid.
3. Represents AEP's unadjusted statement of comprehensive income for the 6 months ended 31 December 2017 extracted from the published unaudited interim results of AEP save for the line items detailed in point 2 above.
4. Represents the aggregation of the results as detailed in column 1 and 2 in order to arrive at the financial results for a 11-month period that is more comparable to that of IberAfrica.

5. Represents the *pro forma* effects of the Acquisition on the statement of comprehensive income, comprising:
    a. transaction costs relating to the Acquisition of R84 640 167. These costs are not tax deductible and therefore no corresponding tax adjustment is recognised;
    b. the reversal of the monthly pre-acquisition monthly management fees for the 6 months incurred from July to December 2017 amounting to R900 000;
    c. the recognition of the post-acquisition management fees of R13 553 812 calculated in accordance with the terms of the Management Agreement and comprising an annual fee of 0.9% of the Enterprise Value of AEP for the 11 months ended 31 December 2017 (AEP does not derive any taxable income from which it can deduct these expenses against and it is therefore assumed that this expense is not tax deductible); and
    d. interest recognised on the USD 44 232 471 shareholder loan at a rate of 10.7% per annum (being the rate currently charged by the Seller to IberAfrica), translated at the Average Exchange Rate, resulting in interest income being recognised by AEP of R62 861 369 which is taxed at a taxation rate of 28% (resulting in a taxation charge of R17 601 183).
6. Represents the unadjusted statement of comprehensive income, as extracted from the audited unpublished annual financial statements of IberAfrica for the year ended 31 December 2017 translated the Average Exchange Rate.
7. Represents the following consolidation adjustments in respect of the Acquisition:
    a. Recognition of a gain on bargain purchase of USD11 503 602 (being R142 128 153 translated at the Closing Exchange Rate) calculated in accordance with point 5(c) in the notes to the statement of financial position.
    b. the elimination of the interest income (AEP) and interest paid (IberAfrica) on the Shareholder loans of R62 861 369 (which is assumed to have been acquired by AEP on 1 January 2017 and therefore this interest charge represents an intragroup transaction that is eliminated on consolidation). The taxation effect on the intergroup interest have not been derecognised given that the taxation represents an external third-party payable/receivable.
    c. Interest paid has thereafter been increased by the early repayment penalty on the Barak Facility of R36 130 500 (calculated as a 6-month interest charge assuming an interest rate of 7.75%, which penalty arises as a result of the assumption applied that both the Acquisition, the Specific Issue and therefore the Barak Facility repayment, are implemented on 1 January 2017 for purposes of these *pro forma* financial effects) (resulting in a nett adjustment to interest paid of R26 730 869) after taking into account the adjustment referred to in (b) (i.e. R62 861 369 – R36 130 500).
8. Represents AEP's consolidated statement of comprehensive income for the period ended 31 December 2017 after the *pro forma* effects of the Acquisition but before the Specific Issue.
9. Represents the transaction costs of R25 691 913 incurred in relation to the Specific Issue of 136 500 000 Shares, which are not tax deductible.
10. Represents the AEP's consolidated statement of comprehensive income for the period ended 31 December 2017 after the pro forma effects of the Acquisition and the Specific Issue.
11. There are no events after the reporting date which require inclusion in the pro forma financial effects presented.
12. All adjustments, save for the gain on bargain purchase, the transaction costs and the Barak Facility early repayment penalty, are expected to have a continuing effect.

HISTORICAL FINANCIAL INFORMATION OF IBERAFRICA FOR THE THREE YEARS ENDED 31 DECEMBER 2017

Introduction

The Directors of AEP are responsible for the compilation of and content of this Annexure 4 which provides the historical financial information of IberAfrica for the three financial years ended 31 December 2017.

Commentary

REVENUES

The general economy of Kenya performed well during 2017, despite having two presidential elections within a period of ninety days. The 2017 GDP grew by 4.8% compared to 5.8% in 2016. The economy is expected to grow above 5% in 2018 with a big expectation on the BIG 4 agenda that forms the Jubilee Government priority.

The revenues for 2016 decreased by 3% compared with 2015 figures while revenues for 2017 increased by 25% over 2016 revenues. Revenue consists of available capacity charges and energy charges for electricity dispatched.

Power dispatch that is controlled by KPLC has an impact on the Generation revenues. Power Generated and sold to KPLC in 2017 stood at 267 gigawatt hours ("Gwh") while in 2016 the figure was 191.2Gwh. Although thermal plants are considered more expensive, they can provide base load and are more reliable than hydro power which is rain dependent.

In 2017 we saw increased dispatch for both NSSP I & II to 7.97% & 49.69% respectively. This compared with 2016 figures of 6.65% & 34.37% for NSSP I & II resulting in increased energy charges and fuel revenue.

Another factor that drives revenue is the heavy fuel oil cost which, as a pass-through cost inflates both revenue and cost of sales. In 2017, this cost was USD 459.63m per tonne (2016: USD 418m per tonne).

EARNINGS BEFORE INTEREST, TAX AND DEPRECIATION ("EBITDA")

IberAfrica has seen improved EBITDA over the 3-year period presented. Management has extended considerable effort in improving the plant efficiency and reducing any cost leakages. The 2017 EBITDA grew by 7% to USD 21.278m, while in 2016 it was USD 19.76m.

FINANCE COST

There has been general decline in the finance cost as the company works to ensure that the loans are fully repaid before the maturity dates in 2020. The decline in the finance cost is against a back drop of increasing interest rates on the loan facilities.

NET PROFIT

The company made a net profit of USD 5.7m in 2017 compared to a loss of USD 0.499m in 2016 and a profit of USD 1.994m in 2015. The 2016 net loss was a result of an additional tax adjustment which emanated from transfer pricing tax penalties and interest. Generally, the company's profit after tax has shown improvement and the management will continue to review its operations with a view of ensuring shareholder value is enhanced by taking the necessary measure aimed at improving the plant efficiency.

Financial information

Statements of profit and loss and comprehensive income for the years ended 31 December 2017, 2016 and 2015

	Notes	2017 USD	2016 USD	2015 USD
Revenue	4	60,031,327	48,076,159	49,378,990
Cost of sales		(44,654,417)	(34,540,705)	(35,838,315)
Gross profit		**15,376,910**	**13,535,454**	**13,540,675**
Other income	5	793,697	847,337	281,056
Administrative expenses		(3,368,284)	(3,595,624)	(3,123,925)
Other operating expenses		(365,301)	(251,780)	(220,152)
Operating profit	6	**12,437,022**	**10,535,387**	**10,477,654**
Finance costs	8	(4,719,322)	(6,120,551)	(7 684 103)
Finance income		23,749	161,874	702 160
Profit before income tax		**7,741,449**	**4,576,710**	**3,495,711**
Income tax expense	9	(1,957,765)	(5,076,102)	(1,501,042)
Profit/(loss) for the year		**5,783,684**	**(499,392)**	**1,994,669**
Other comprehensive income net of tax		–	–	-
Total comprehensive income/(loss) for the year		**5,783,684**	**(499,392)**	**1,994,669**

Statements of financial position as at 31 December 2017, 2016 and 2015

	Notes	2017 USD	2016 USD	2015 USD
Non-current assets				
Property, plant and equipment	12	66,793,081	75,329,308	86,237,337
Intangible assets	13	26,471	44,446	66,412
		66,819,552	**75,373,754**	**86,303,749**
Current assets				
Inventories	14	9,630,139	11,081,495	14,647,764
Trade and other receivables	15	18,307,022	13,031,852	10,885,422
Cash and bank balances	16	16,855	181,355	163,154
Current income tax		–	–	401,658
		27,954,016	**24,294,702**	**26,097,998**
Total Assets		**94,773,568**	**99,668,456**	**112,401,747**
Equity and liabilities				
Equity				
Share capital		18,000,000	18,000,000	18,000,000
(Accumulated loss)/Retained earnings		10,840,197	5,056,513	5,555,905
		28,840,197	**23,056,513**	**23,555,905**

	Notes	2017 USD	2016 USD	2015 USD
LIABILITIES				
Non-current liabilities				
Borrowings		26,000,000	32,500,000	49,803,098
Deferred tax		10,943,913	13,493,358	12,861,528
Provisions for other liabilities	21	3,016,567	2,977,108	2,750,140
		36,943,913	**45,993,358**	**62,664,626**
Current liabilities				
Trade and other payables	17	9,216,641	7,453,570	4,398,535
Borrowings	18	15,960,608	15,471,409	18,358,657
Current tax payable		121,759	4,042,615	–
Dividends payable	17	673,883	673,883	673,883
		28,989,458	**30,618,535**	**26,181,215**
Total equity and liabilities		**94,773,568**	**99,668,406**	**112,401,746**

Statements of changes in equity for the years ended 31 December 2017, 2016 and 2015

	Notes	Share Capital USD	Retained earnings USD	Total Equity USD
Year ended 31 December 2014				
At start of year	**10**	18,000,000	3,795,694	21,795,694
Total comprehensive loss		–	(234,457)	(234,457)
		18,000,000	3,561,237	21,561,237
Year ended 31 December 2015				
At start of year	**10**	18,000,000	3,561,237	21,561,237
Total comprehensive loss		–	1,994,668	1,994,668
		18,000,000	5,555,905	23,555,905
Year ended 31 December 2016				
At start of year	**10**	18,000,000	5,555,905	23,555,905
Total comprehensive loss		–	(499,392)	(499,392)
		18,000,000	5,056,513	23,056,513
Year ended 31 December 2017				
At start of year	**10**	18,000,000	5,056,513	23,056,513
Total comprehensive loss		–	5,783,684	5,783,684
		18,000,000	10,840,197	28,840,197

Statements of cash flows for the years ended 31 December 2017, 2016 and 2015

	Notes	2017 USD	2016 USD	2015 USD
Operating activities				
Cash generated from operations	20	18,789,453	27,313,768	23,216,424
Interest paid		(5,127,665)	(6,848,411)	(8,129,807)
Taxes paid		(8,389,713)	–	–
Net cash generated from operating activities		5,272,075	20,465,357	15,086,617
Investing activities				
Purchase of property, plant and equipment	12	(2,202,673)	(1,006,800)	(2,654,069)
Purchase of intangible assets	13	(6,668)	(9,471)	(41,714)
Proceeds from disposal of property, plant and equipment		–	31,596	
Net cash used in investing activities		(2,209,341)	(984,675)	(2,695,783)
Financing activities				
Proceeds on borrowings		24,769,355	33,469,866	39,343,093
Repayments on borrowings		(31,269,355)	(50,773,035)	(52,500,000)
Net cash used in financing activities		(6,500,000)	(17,303,169)	(13,156,907)
(Decrease)/increase in cash and cash equivalents		(3,437,266)	2,177,513	(766,073)
Movement in cash and cash equivalents				
At start of year		(5,590,844)	(7,768,357)	(7,002,284)
(Decrease)/increase		(3,437,266)	2,177,513	(766,073)
At end of year	16	(9,028,110)	(5,590,844)	(7,768,357)

Notes

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) **Basis of preparation.**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

i) New and amended standards adopted by the Company

The following standards and amendments have been applied by the company for the first time for the financial year beginning 1 January 2017.The company has considered the effect of these amendments on the annual financial statements and is of the view that it will not have a significant impact on the annual financial statements:

- Amendment to IAS 7,'Cashflow statements, effective 1 January 2017, introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt.
- Amendment to IAS 12, 'Income taxes', effective 1 January 2017, was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.
- Amendments to IAS 1, 'Presentation of Financial Statements', clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment came into effect on 1 January 2016.

There are no IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2017 that have a material impact on the Company's financial statements.

ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The company is assessing the impact of IFRS 15.

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. In the new standard, lessees will be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. Exceptions have been provided for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee will be required to measure lease liabilities at the present value of future lease payments and recognise an equivalent lease asset including costs directly related to entering into the lease. Lease assets will be amortised in a similar way to other assets such as property and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. Lessor accounting has not substantially changed in the new standard. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases – Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of electricity output in the ordinary course of the Company's activities and plant availability determined in accordance with the Power Purchase agreement. Revenue is shown net of value-added tax (VAT), rebates, availability adjustments to capacity payments and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below.

Revenue is recognised as follows:

Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a percentage of the total services to be provided;

c) Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (USD) which is the Company's functional currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations 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.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

d) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their costless their residual values over their estimated useful lives, as follows:

Civil works, plant and Machinery 15 to 25 years

Furniture, fittings and equipment: 8 years

Computers and software: 3 – 4 years

Motor vehicles: 4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the profit and loss account.

e) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average basis less provision for impairment.

g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the movement in the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

h) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method; any differences between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the financial reporting date.

j) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

l) Employee benefits

Retirement benefit obligations

The Company operates a defined contribution retirement benefit schemes for its employees. The Company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees.

The Company's contributions to the defined contribution schemes are charged to the profit or loss in the year in which they fall due.

ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the financial reporting date is recognised as an expense accrual.

m) Income tax expense

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the financial reporting date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the financial reporting date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

n) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Declared dividends are shown as a separate component of equity until declared.

o) Provision for other liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Where a provision is made for decommissioning, dismantling and site restoration costs, an asset of similar value is raised and amortised in accordance with the company's accounting policy for property, plant and equipment.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

i) Critical accounting estimates and assumptions

Receivables

Critical estimates are made by the directors in determining the recoverable number of impaired receivables. This process is set out in Note 2(g) above.

Property, plant and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in Note 2(d) above.

A decommissioning asset has been created based on the estimated cost of decommissioning the plant upon the expiry of the lease in 2019. The asset will be depreciated over the remaining lease period.

Income taxes

Significant judgment is required in determining the Company's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company 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.

ii) Critical judgments

Functional currency

The directors have exercised judgment in determining the entity's functional currency. The US Dollar has been determined as the Company's functional currency.

Power purchase agreement

The Power purchase agreement was considered a lease in terms of IFRIC 4 *Determining whether an arrangement contains a lease*. It was classified as an operating lease in terms of the classification criteria of IAS 17 Leases.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Company does not hedge any risks.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors.

Market risk

i) Foreign exchange risk

The Company operations results in foreign exchange risk arising from various currency exposures, primarily with respect to the Kenya Shillings and Euro. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily through the holding of bank balances in the relevant foreign currencies.

At 31 December 2017, if the Kenya Shilling had weakened/strengthened by 10% against the US Dollar with all other variables held constant, post-tax profit for the year and equity would have been USD 30,567 (2016: USD 2,707, 2015: USD 19,407) higher/lower, mainly as a result of Kenya shillings denominated trade payables and bank balances.

At 31 December 2017 if the Euro had weakened/strengthened by 10% against the US Dollar with all other variables held constant, post-tax profit and equity would have been USD 3,765 (2016: USD 18,647, 2015: USD 6,592)) higher/lower, mainly as a result of Euro denominated trade payables and bank balances.

ii) Price risk

The Company does not hold any financial instruments subject to price risk.

iii) Cash flow and fair value interest rate risk

The Company's only interest bearing financial liabilities are the bank overdraft and the related party borrowings. Only the bank overdrafts are at a variable rate, and it's on this interest bearing financial liability that the company is exposed to cash flow interest rate risk. The Company regularly monitors financing options available to ensure optimum interest rates are obtained.

At 31 December 2017, an increase/decrease of 0.1% would have resulted in a decrease/increase in post-tax profit of USD 30,963 (2016: USD 33,580; 2015: USD 47,313).

Credit risk

Credit risk is managed by management. Credit risk arises from cash at bank and short term deposits with banks, as well as trade and other receivables. All output is sold to Kenya Power, the company's only customer. The credit rating of Kenya Power is AA.

Individual The group management assesses the credit quality of its customers taking into account its financial position, past experiences and other factors.

	Note	2017 USD	2016 USD	2015 USD
Cash at bank and short-term bank deposits	16	16,855	181,355	**163,154**
Trade receivables	15	16,994,743	10,936,516	8,489,224
Receivables from related companies	22	277,053	175,907	187,307
Other receivables		1,035,226	1,919,429	2,208,891
		18,323,877	**13,213,207**	**11,048,576**

No collateral is held for any of the above assets. All receivables that are neither past due nor impaired are within their approved credit limits, and no receivables have had their terms renegotiated. The Company does not grade the credit quality of receivables.

None of the above assets are either past due or impaired except for the following amounts in trade receivables (which are due within 30 days of the end of the month in which they are invoiced):

	2017 USD	2016 USD	2015 USD
Past due but not impaired:			
Current (Neither past due nor impaired)	4,761,277	4,782,590	3,817,851
by up to 30 days	5,398,436	5,463,497	4,049,899
by up to 31 to 120 days	6,835,031	690,430	621,474
	16,994,744	10,936,517	8,489,224
Receivables individually determined to be impaired:			
Carrying amount before provision for impairment loss	876,121	721,986	20,337
Provision for impairment loss	(876,121)	(721,986)	(20,337)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table below are the contractual discounted cash flows.

	Less than 3 months USD	Between 3 & 6 months USD	Over 1 year USD	Totals USD
At 31 December 2017:				
Borrowings	12,794,962	3,750,000	26,000,000	42,544,962
Interest	1,687,509		9,794,331	11,481,840
Trade and other payables	6,550,688			9,216,641
	21,033,159	3,750,000	35,794,331	60,577,490
At 31 December 2016:				
Borrowings	9,522,199	3,750,000	32,500,000	47,971,409
Interest	2,199,210		16,547,760	18,746,970
Trade and other payables	7,453,57	–	–	7,453,571
	19,174,980	3,750,000	49,047,760	71,972,570
At 31 December 2015:				
Borrowings	14,608,657	3,750,000	49,803,098	68,161,754
Trade and other payables	4,398,535	–	–	4,398,535
	19,007,192	3,750,000	49,803,098	72,560,289

Financial Instruments by category:

The financial assets consist of cash at bank and short-term bank deposits, trade and other receivables and related party receivables while the financial liabilities consist of trade and other payables and borrowings. These financial assets and liabilities are measured at amortised cost.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

During 2017 the Company's strategy, which was unchanged from 2013, was to maintain the gearing ratio within 80% and 85%. The gearing ratios at 31 December 2017, 31 December 2016 and 31 December 2015 were as per below. Whilst the target gearing ratios were not met by the company, it remains the company's intention to maintain these targeted gearing levels in the longer-term.

	2017 USD	2016 USD	2015 USD
Total borrowings (Note 18)	41,960,608	47,971,409	68,161,755
Less: cash and cash equivalents (Note 16)	(16,855)	(181,355)	(163,154)
Net debt	41,943,753	47,790,054	67,998,601
Total equity	28,840,200	23,056,513	23,555,905
Total capital	70,783,953	70,846,567	91,554,506
Gearing ratio	59.26%	67.46%	74.27%

4. REVENUE

	2017 USD	2016 USD	2015 USD
Fixed capacity charges	29,375,586	29,368,099	28,586,033
Energy charges	30,655,741	18,708,060	20,792,957
	60,031,327	48,076,159	49,378,990

5. OTHER INCOME

	2017 USD	2016 USD	2015 USD
Insurance compensation and miscellaneous income	793,697	847,337	281,056

6. OPERATING PROFIT

The following expenses have been charged in arriving at the operating profit:

	2017 USD	2016 USD	2015 USD
Inventories expensed	31,270,663	19,882,603	22,062,340
Employee benefits expense (Note 7)	2,487,910	2,557,170	2,346,296
Depreciation of property, plant and equipment (Note 12)	10,738,900	11,914,829	12,589,573
Provision for impairment of spare parts	1,644,149	1,671,482	–
Software amortisation (Note 13)	24,644	21,966	7,640
Auditor's remuneration	67,779	39,110	38,874

7. EMPLOYEE BENEFITS EXPENSE

	2017 USD	2016 USD	2015 USD
Salaries and wages	2,374,018	2,443,441	2,024,281
Retirement benefits costs:			
– Defined contribution scheme	111,602	108,243	105,590
– National Social Security Funds	2,290	2,721	216,425
	2,487,910	2,554,405	2,346,296

8. FINANCE COSTS

	2017 USD	2016 USD	2015 USD
Interest expense – bank overdraft	490,830	575,452	549,697
Interest expense – loans	4,228,491	5,545,099	7,134,406
	4,719,322	6,120,551	7,684,103
Finance income	(23,749)	(161,874)	(702,160)
Net finance costs	4,695,573	5,958,677	6,981,943

9. INCOME TAX EXPENSE

	2017 USD	2016 USD	2015 USD
Current income tax	4,507,208	3,698,693	–
Under-provision of current income tax in prior year	–	745,579	–
Deferred income tax (Note 12)	(2,549,443)	631,830	1,501,042
Income tax expense	1,957,765	5,076,102	1,501,042

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2017 USD	2016 USD	2015 USD
Profit before income tax	7,741,448	4,576,710	3,495,710
Tax calculated at the statutory income tax rate of 30% (2016 & 2015: 30%)	2,322,435	1,373,013	1,048,713
Tax effects of:			
Net expenses not deductible for tax purposes		2,957,510	452,329
Non-taxable adjustments	(364,670)		
Tax for 2015 adjustments	–	745,579	
Income tax expense	1,957,765	5,076,102	1,501,042

10. **SHARE CAPITAL**

	Number of shares USD	Ordinary shares USD
Balance as at 1 January 2015	10,931,250	18,000,000
Balance as at 31 December 2015	10,931,250	18,000,000
Balance as at 31 December 2016	10,931,250	18,000,000
Balance as at 31 December 2017	10,931,250	18,000,000

11. **DEFERRED INCOME TAX**

	2017 USD	2016 USD	2015 USD
At start of year	13,493,357	12,861,527	11,360,486
Charge to statement of comprehensive income (Note 9)	(2,549,443)	631,830	1,501,042
At end of year	10,943,914	13,493,357	12,861,528

Deferred income tax assets and liabilities and deferred income tax debit/(credit) in the profit and loss account are attributable to the following items:

Year ended 31 December 2017	1 January 2017 USD	Debit/ (credited) to P/L USD	31 December 2017 USD
Deferred income tax liabilities			
Property, plant and equipment	13,494,366	(2,523,860)	10,970,506
Deferred income tax assets			
Tax losses carried forward	–	–	-
Other deductible differences	(1,010)	(25,583)	(26,593)
Tax adjustment 2015		–	-
	(1,010)	(25,583)	(26,593)
Net deferred income tax liability	13,493,356	(2,549,443)	10,943,913

Year ended 31 December 2016	1 January 2017 USD	Debit/ (credited) to P/L USD	31 December 2017 USD
Deferred income tax liabilities			
Property, plant and equipment	15,983,410	(2,489,042)	13,494,368
Deferred income tax assets			
Tax losses carried forward	(3,270,408)	3,270,408	-
Other deductible differences	148,526	(149,536)	(1,010)
	(3,121,882)	3,120,872	(1,010)
Net deferred income tax liability	12,861,528	631,830	13,493,358

Year ended 31 December 2015	1 January 2017 USD	Debit/ (credited) to P/L USD	31 December 2017 USD
Deferred income tax liabilities			
Property, plant and equipment	18,396,745	(2,413,335)	15,983,410
Deferred income tax assets			
Tax losses carried forward	(7,014,452)	3,744,044	(3,270,408)
Other deductible differences	(21,807)	170,333	148,526
	(7,036,259)	3,914,377	(3,121,882)
Net deferred income tax liability	11,360,486	1,501,042	12,861,528

12. PROPERTY, PLANT AND EQUIPMENT

	Civil works, plant and machinery USD	Furniture, fittings & equipment USD	Motor vehicles USD	Computer equipment USD	Total USD
At 1 January 2015					
Cost or valuation	189,210,976	645,995	215,365	418,244	190,490,580
Accumulated depreciation	(93,222,764)	(507,774)	(209,111)	(378,090)	(94,317,739)
Net book amount	95,988,212	138,221	6,254	40,154	96,172,841
Year ended 31 December 2015					
Opening net book amount	95,988,212	138,221	6,254	40,154	96,172,841
Additions	2,630,019	9,252	–	14,798	2,654,069
Disposals – cost	*	*	*	*	*
Disposals – depreciation	*	*	*	*	*
Depreciation charge	*	*	*	*	*
Closing net book amount	86,078,108	123,901	–	35,328	86,237,337
At 1 January 2016					
Cost or valuation	191,840,995	655,247	215,365	433,042	193,144,649
Accumulated depreciation	(105,762,887)	(531,347)	(215,365)	(397,714)	(106,907,313)
Net book amount	86,078,108	123,900	–	35,328	86,237,336
Year ended 31 December 2016					
Opening net book amount	86,078,108	123,900	–	35,328	86,237,336
Additions	945,075	6,345	51,646	3,734	1,006,800
Disposals – cost	–	–	(112,755)	–	(112,755)
Disposals – depreciation	–	–	112,755	–	112,755
Depreciation charge	(11,859,237)	(24,396)	(8,602)	(22,593)	(11,914,828)
Closing net book amount	75,163,947	105,849	43,044	16,469	75,329,308
At 31 December 2016					
Cost or valuation	192,786,070	661,592	154,256	436,776	194,038,693
Accumulated depreciation	(117,622,123)	(555,743)	(111,212)	(420,307)	(118,709,385)
Net book amount	75,163,947	105,849	43,044	16,469	75,329,308

	Civil works, plant and machinery USD	Furniture, fittings & equipment USD	Motor vehicles USD	Computer equipment USD	Total USD
Year ended 31 December 2017					
Opening net book amount	75,163,947	105,849	43,044	16,469	75,329,308
Additions	2,150,526	43,401	–	8,746	2,202,673
Disposals – cost	–	–	–		-
Disposals – depreciation	–	–	–		-
Depreciation charge	(10,684,254)	(27,339)	(12,912)	(14,396)	(10,738,901)
Closing net book amount	66,630,219	121,911	30,132	10,819	66,793,081
At 31 December 2017					
Cost or valuation	194,936,596	704,993	154,256	445,522	196,241,366
Accumulated depreciation	(128,306,377)	(583,082)	(124,123)	(434,703)	(129,448,286)
Net book amount	66,630,219	121,911	30,132	10,819	66,793,081

* Not disclosed in respect of the 2015 financial year

13. INTANGIBLE ASSETS

Intangible assets	**2017 USD**	**2016 USD**	**2015** USD
Cost			
At 1 January	2,376,855	2,376,855	2,382,906
Additions	6,668	9,471	41,714
Disposal	–	–9,471	(47,766)
At 31 December	2,383,523	2,376,855	2,376,854
Amortisation			
At 1 January	2,332,409	2,310,442	2,302,802
Charge for the year	24,644	21,966	7,640
At 31 December	2,357,052	2,332,409	2,310,442
Net book amount	**26,471**	**44,446**	**66,412**

14. INVENTORIES

	2017 USD	**2016 USD**	**2015** USD
Fuels and oils (at cost)	1,936,903.00	1,953,855.00	2,932,814
Spare parts and other materials (at cost)	10,105,405.00	10,799,122.00	11,714,950
Utilised Spares	903,462.00	–	–
Provision for impairment	(3,315,631.00)	(1,671,482.00)	–
	9,630,139	**11,081,495**	**14,647,764**

The cost of inventories recognised as an expense and included in ‘cost of sales’ amounted to USD31,270,663 (2016: USD19,882,603; 2015: USD22,062,340).

Movements on the provision for impairment of spare parts are as follows;

	2017 USD	2016 USD	2015 USD
At start of period/year	1,671,482	–	–
Charge to profit or loss	1,644,149	1,671,482	–
	3,315,631	**1,671,482**	**-**

15. TRADE AND OTHER RECEIVABLES

	2017 USD	2016 USD	2015 USD
Trade receivables	16,994,743	10,936,516	8,489,224
Due from related companies (Note 23)	277,053	175,907	187,307
Other receivables and prepayments	1,035,226	1,919,429	2,208,891
	18,307,022	**13,031,852**	**10,885,422**

16. CASH AND BANK BALANCES

	2017 USD	2016 USD	2015 USD
Cash and bank balances	16,855	181,355	163,154
Bank overdraft (Note 18)	(6,744,321)	(5,772,199)	(7,931,511)
	(6,727,466)	**(5,590,844)**	**(7,768,356)**

17. TRADE AND OTHER PAYABLES

	2017 USD	2016 USD	2015 USD
Trade payables	7,092,247	5,202,917	2,251,617
Due to related companies (Note 23)	385,160	62,290	62,648
Other payables and accrued expenses	2,413,117	2,188,363	2,084,270
	9,890,524	**7,453,570**	**4,398,535**

18. BORROWINGS

	2017 USD	2016 USD	2015 USD
Bank overdraft	6,744,321	5,772,199	7,931,511
Borrowings from related companies	35,187,506	42,199,210	60,230,24
	41,931,827	**47,971,409**	**68,161,755**
Classification of borrowings			
Current	15,931,827	15,471,409	18,358,657
Non-current	26,000,000	32,500,000	49,803,098
	41,931,827	**47,971,409**	**68,161,755**

Bank overdraft
The company has an overdraft facility with the Bank of Africa of USD 8,000,000 which attracts interest at 7.25% annually. The facility is renewable annually.

Security
As security for its indebtedness, the company has issued a Negative Pledge over all of its assets in favour of Bank of Africa.

Loans from related companies
Loans from the group companies are denominated in US dollars, unsecured and attracted interest at a rate of 11.209% (2016: 11.412%, 2015: 10.902%). Interest rates are based on applicable Libor rates plus a set margin. The current agreed margin is 9.5% effective April 2017.

The loan from Clover Financial & Treasury Services Limited (a group company) is repayable by 27 July 2020.

The movement in the loans is as follows:

	2017 USD	2016 USD	2015 USD
At start of year	42,199,210	60,230,244	74,184,255
Loans received in the year	20,029,163	27,196,902	31,411,583
Repayments in the year	(31,269,355)	(50,773,035)	(52,500,000)
Accrued interest	4,228,488	5,545,099	7,134,406
At end of the year	**35,187,506**	**42,199,210**	**60,230,244**

The fair value of current borrowing equals their carrying amount as the impact of discounting is not significant.

19. COMMITMENTS AND LEASE RECEIVABLES

Operating lease commitments
The company leases the site on which the plant is located. The lease period extended automatically upon the renewal of the Power Purchase Agreement on 21 October 2009 for 25 years to 20 October 2034.

The lease rentals for the duration of the lease are paid each year on the initial date of the lease.

Operating lease receivables
As per the terms of the Power Purchase Agreement the purchaser will pay a fixed capacity charge and a variable charge based on actual production taken. The purchaser must pay the fixed capacity charge irrespective of whether it takes any of the facility's production. If in any period of five consecutive months the average availability in any month is less than 80% of contracted capacity, the capacity charges will be adjusted in accordance with the formula provided for in the contact.

The future minimum lease payments under non-cancellable operating leases are as follows:

	2017 USD	2016 USD	2015 USD
Not later than 1 year	28,045,051	29,351,004	29,351,004
Later than 1 year and not later than 5 years	71,780,690	86,785,065	98,805,392
Later than 5 years	166,515,257	181,913,805	194,696,709
	266,340,998	298,049,874	322,853,105

20. **CASH GENERATED FROM OPERATIONS**

Reconciliation of profit before income tax to cash generated from operations:

	2017 USD	2016 USD	2015 USD
Profit before income tax	**7,741,449**	**4,576,710**	**3,495,710**
Adjustments for:			
Interest expense (Note 9)	4,719,322	6,120,551	7,684,103
Depreciation (Note 13)	10,738,901	11,914,828	12,589,573
Amortisation of intangible assets (Note 14)	24,643	21,966	7,640
Loss on sale of plant and equipment	–	(22,124)	47,766
provision for other liabilities	39,459	226,968	577,551
Changes in working capital			
trade and other receivables	(4,881,080)	(2,146,430)	(1,501,529)
inventories	1,451,356	3,566,264	1,675,370
trade and other payables	(1,044,597)	3,055,035	(1,359,760)
provision for other liabilities	39,459	226,968	577,551
	18,789,453	27,313,768	23,216,424

21. **PROVISION FOR OTHER LIABILITIES**

	2017 USD	2016 USD	2015 USD
At start of year	2,977,108	2,750,140	2,172,589
Charged to profit or loss	39,459	226,968	–
Additional provision	–	–	577,551
At end of year	3,016,567	2,977,108	2,750,140

The balance relates to provision for decommissioning costs for Plant 1 in 2019. The provision is based on the present value of the estimated future cost of decommissioning. The key assumptions applied in determining this provision are a discount rate of 1.92% (2016: 1.96%; 2015: 2%) and an inflation rate of 2.2% (2016: 1.7%, 2015: 0.1%).

Decommissioning costs have not been determined for Plant 2 as the extent thereof will only be determined nearer to the termination date of the power purchase agreement in 2034 and the extent of decommissioning costs, if any is uncertain.

22. **RELATED PARTY TRANSACTIONS**

The company is controlled by First Independent Power (Kenya). The ultimate parent and controlling party of the company is Gas Natural Limited, incorporated in Spain. There are other companies that are related to IberAfrica Power (East Africa) Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

i. Purchase of goods and services

Purchase of goods and services	2017 USD	2016 USD	2015 USD
Gas Natural O & M Energy/GPG	612,243	975,531	522,355

ii. Outstanding balances arising from sale and purchase of goods/services

Receivables from related parties	2017 USD	2016 USD	2015 USD
First Independent Kenya Limited	248,092	146,946	158,346
Union Fenosa International	28,961	28,961	28,961
	277,053	175,907	187,307
Payables to related parties			
Gas Natural O & M Energy/GPG	385,160	62,290	62,648

iii. Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

Key management compensation	2017 USD	2016 USD	2015 USD
Salaries and other short-term employment benefits	657,241	560,967	559,146

iv. Key management compensation

Directors' remuneration	2017 USD	2016 USD	2015 USD
Fees for services as a director	–	–	22,127

v. Loans from related parties

Intercompany Loan	2017 USD	2016 USD	2015 USD
Clover Financial and Treasury Services (Note 19)	35,187,506	42,199,210	60,230,244

23. SUBSEQUENT EVENTS

There were no material subsequent events that impact these financial statements.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF IBERAFRICA FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors
AEP Energy Africa Limited ("**AEP**")
2nd Floor, 28 Fricker Road
Illovo
Sandton
South Africa

19 September 2018

Dear Sirs,

Our opinion

AEP Energy Africa Limited is issuing a Circular to its shareholders ("**Circular**") regarding the proposed acquisition of IberAfrica (East Africa) ("**IberAfrica**") Limited by AEP Energy Limited (the "**Proposed Transaction**").

In our opinion, the historical financial information of IberAfrica as set out in the Circular (the "historical financial information") presents fairly, in all material respects, the financial position of IberAfrica as at 31 December 2017, 31 December 2016 and 31 December 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements.

What we have audited

At your request and solely for the purpose of the Circular to be dated on or about 19 September 2018, we have audited IberAfrica's historical financial information, which comprises:

- the statements of financial position as at 31 December 2017, 31 December 2016 and 31 December 2015;
- the statements of profit and loss and comprehensive income for the years then ended;
- the statements of changes in equity for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the historical financial information, which include a summary of significant accounting policies.

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 *Reporting accountant's responsibilities for the audit of the historical financial information* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of IberAfrica in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Purpose of this report

This report has been prepared for the purpose of the Circular and for no other purpose.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the historical financial information for the year ended 31 December 2017. These matters were addressed in the context of our audit of the historical financial information for the years ended 31 December 2017, as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Classification of power purchase agreement as an operating lease	
IberAfrica previously entered into a power purchase agreement with the Kenya Power and Lighting Company Limited. This power purchase agreement was subsequently amended with various addendums. As disclosed in note 2 ii) management had to assess the accounting treatment of the power purchase agreement at each substantial revision. In their application of IFRIC 4 *Determining whether an arrangement contains a lease (IFRIC 4),* management determined the power purchase agreement to be a lease. Management applied the criteria in IAS 17 *Leases (IAS 17)*, to determine whether the power purchase agreement should be accounted for as a finance lease or an operating lease. Based on the IAS 17 criteria the power purchase agreement was classified by management as an operating lease. This classification of the power purchase agreement as an operating lease resulted in the assets, subject to the power purchase agreement, being accounted for as property, plant and equipment, disclosed in note 12 and all the proceeds arising from the power purchase agreement recognised as revenue, disclosed in note 4. The operating lease classification was done on initiation of the agreement and on every substantial amendment thereof and required management to exercise judgement. This classification has a pervasive impact on the financial performance and position of IberAfrica. As this was the first year that we audited the IberAfrica financial statements we had to obtain sufficient appropriate audit evidence regarding the accounting treatment of the power purchase agreement and was identified as a matter of most significance to the audit.	We corroborated management's operating lease classification by performing procedures which included: • We performed a detailed assessment of the power purchase agreement and its various addendums in consideration of the requirements of IFRIC 4 and IAS 17; • We held discussions with management on the current performance of the plants and their remaining useful lives; and • We performed a site inspection to observe the plants in operation and their ability to be used for alternative purposes. Based on the above we reassessed the classification decisions and concurred with management that the power purchase agreement should be classified as an operating lease.

Responsibilities of the directors for the historical financial information

The directors of AEP Energy Africa Limited are responsible for the preparation, contents and presentation of the Circular and are responsible for ensuring that IberAfrica complies with the JSE Limited Listings Requirements.

The directors of IberAfrica are responsible for the preparation and fair presentation of the historical financial information in accordance with International Financial Reporting Standards and the requirements of the JSE Limited Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of historical financial information that are free from material misstatement, whether due to fraud or error.

In preparing the historical financial information, the directors IberAfrica are responsible for assessing the IberAfrica'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 IberAfrica or to cease operations, or have no realistic alternative but to do so.

Reporting accountant's responsibilities for the audit of the historical financial information

Our objectives are to obtain reasonable assurance about whether the historical financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountant'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 this historical financial information.

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

- Identify and assess the risks of material misstatement of the historical financial information, 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 IberAfrica's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of IberAfrica.
- Conclude on the appropriateness of the directors of IberAfrica's 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 IberAfrica's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountant's report to the related disclosures in the historical financial information 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 reporting accountant's report. However, future events or conditions may cause IberAfrica to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the historical financial information, including the disclosures, and whether the historical financial information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors of IberAfrica 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 the directors of IberAfrica 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 the directors of IberAfrica, we determine those matters that were of most significance in the audit of the historical financial information for the year ended 31 December 2017 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.

PricewaterhouseCoopers Inc.
Director: AJ Rossouw
Registered Auditor
4 Lisbon Lane
Waterfall City
Jukskei View
2090

19 September 2018

CORPORATE GOVERNANCE AND THE KING CODE

CORPORATE GOVERNANCE REVIEW

The Board considers sound corporate governance practices to be a critical element in delivering sustainable growth for the benefit of all stakeholders. In conducting the affairs of the Company, the Board endorses the principles of fairness, responsibility, transparency and accountability advocated by the principles of the Code of Corporate Practices and Conduct set out in the King Report on Corporate Governance ("**King IV**").

In regularly reviewing the Company's governance structures, the Board exercises and ensures effective and ethical leadership, always acting in the best interests of the Company, at the same time concerning itself with the sustainability of its business operations.

A register of all King IV principles and the extent of AEP's compliance therewith is available on the Company's website at www.aep.co.za.

1. **BOARD OF DIRECTORS**

The balance and composition of the Board has been thoroughly considered taking into account the needs of the Company. The Board as a whole believes that the current balance of knowledge, skill and experience meets the requirements to leads the Company effectively.

The Board is responsible for the strategic direction and control of the Company. It exercises control through a governance framework that includes the review and implementation of detailed reporting presented to it and its subcommittees and the implementation of a continuously updated risk management programme.

The Board comprises eleven Directors, of whom three are non-executive and five are independent non-executive Directors. The executive Directors are Edwin Kikonyogo (CEO), Nkosi Gugushe (COO), and Kevin Simons (CFO).

The independent chairperson, David William Wright, is a non-executive Director whose role is separate from that of the CEO, Edwin Kikonyogo.

The CEO is fully responsible and accountable for the operations of the Company. The chairperson leads the Board and facilitates constructive relations between the executive and the Board. The chairperson holds no other listed Company chairperson positions.

The Board has adopted a charter that sets out the practices and processes it follows to discharge its responsibilities. The charter specifically sets a description of roles, functions, responsibilities and powers of the Board, the Shareholders, the chairperson, individual Directors, Company Secretary, and other prescribed officers and executives of the Company.

The terms of reference of the Board and its committees deal with such matters as corporate governance, Directors' dealings in securities, declarations of conflicts of interest, Board meeting documentation and procedures for the nomination, appointment, induction, training and evaluation of the Directors.

There is an appropriate balance of power and authority on the Board so that no individual has unfettered powers of decision-making and no individual dominates the Board's deliberations and decisions. The Board will regularly review the decision-making authority given to management as well as those matters reserved for decision-making by the Board.

Any Director appointed during the year is required to have the appointment confirmed by Shareholders at the next annual general meeting.

At the first annual general meeting all Directors shall retire from office and stand for re-election. At each subsequent annual general meeting one third of the non-executive Directors for the time being, or if the number is not three or a multiple of three, the number nearest to one third, but not less than one third, shall retire from office.

The Board has delegated certain specific responsibilities to the following committees:

- Remuneration and Nomination committee;
- Audit and risk committee;
- Social and ethics committee; and
- Investment committee.

The committees assist the Board in discharging its responsibilities and duties under King IV, whilst overall responsibility remains with the Board. Full transparency and disclosure of committee deliberations is encouraged and the minutes of all committee meetings are available to all Directors.

Directors are encouraged to take independent advice at the cost of the Company for the proper execution of their duties and responsibilities. The Board has unrestricted access to the external Auditors, professional advisors, the services of the Company Secretary, the executives and the staff of the Company at any given time. An induction programme is provided for new Directors by the Company's sponsor, Questco.

A detailed assessment of all Board members, including the Chairperson, will be undertaken annually. Directors and committee members are supplied with comprehensive information that allows them to properly discharge their responsibilities. The members of the Board bring a mix of skills, experience and technical expertise. The Board shall meet at least four times a year.

2. GENDER DIVERSITY POLICY

The Company supports the principles and aims of appropriate gender diversity at board level and currently has two female Board members. The Board, through the nomination function of its Remuneration and Nomination committee, is aware of the need to promote gender representation, and the Directors believe that the composition of a board that provides effective leadership is driven by a wide variety of factors. Accordingly, each individual board member is selected based on skills, experience, industry knowledge, independence and integrity.

The process to identify suitable candidates for appointment to the board involves taking into consideration diversity and inclusion, and as such, the board is in the process of adopting a policy on the promotion of gender and race diversity at board level, and shall report in the Integrated Annual Report on how it has made progress towards meeting the targets established in the policy.

The policy will be tabled at the November 2018 board meeting, and will be made available on the Company's website once adopted.

The Company will continue to monitor its gender diversity and disclose the results to Shareholders on an annual basis.

3. THE REMUNERATION AND NOMINATION COMMITTEE

Remuneration function: Silvanus David chairs the remuneration function of the remuneration and nomination committee and David Wright and Carla Dooling (née Cloete) are also members. All members of the remuneration function of the remuneration and nomination committee are independent non-executive Directors. The remuneration and nomination committee, which will meet at least two times a year, has responsibility for the determination of specific remuneration packages for each of the Executive Directors and the Chairperson. The remuneration function of the remuneration and nomination committee also considers the bonuses, which are discretionary and based upon general economic variables, the performance of the Company and the individual's performance and certain other employee benefits and schemes. No remuneration of any nature shall be paid, increased or varied to any Director without the prior approval of the remuneration function of the remuneration and nomination committee.

Nomination function: The nomination function of the remuneration and nomination committee comprises only independent non-executive Directors. Silvanus David, the deputy chairperson of the Board, David Wright, the chairperson of the Board, and Carla Dooling (née Cloete), and David Wright is the chairperson of the nomination function of the remuneration and nomination committee. All members of the nomination function of the remuneration and nomination committee are independent non-executive Directors. The nomination function of the remuneration and nomination committee, which will meet at least two times a year, leads the process of Board appointments, considers succession planning and makes recommendations to the Board, amongst other things, on Board composition and balance and on all new appointments and re-appointments of non-executive Directors.

4. **THE AUDIT AND RISK COMMITTEE**

The audit and risk committee comprises three independent non-executive Directors. As at the date of this document, Meriam Kekana chairs the Company's audit committee, of which Silvanus David and Carla Dooling (née Cloete) are also members. The members of the committee are appointed by the Board from amongst the independent non-executive Directors of the Company.

Audit function: A representative of Deloitte & Touche, the Company's independent external auditors, attends committee meetings by invitation. The committee will meet at least three times a year. The audit committee provides the Board with additional assurance regarding the quality and reliability of financial information used by the Board and the financial statements of the Company. In addition, the audit committee reviews the internal control systems, the financial control systems, the accounting systems and reporting, the internal audit functions and ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities. It also liaises with the Company's external auditors, monitors compliance with legal requirements, ensures management addresses any identified internal control weakness, assesses the performance of financial management, assesses the Company's going concern status, approves external audit fees, budgets, plans and performance, conducts an annual review and assessment of the financial reporting risks the Company faces and has established a policy regarding non-audit services provided by the external auditors. In terms of risk management, the committee ensures that Senior Management's processes and procedures are adequate to identify, assess, manage and monitor Company-wide risks. The committee has confirmed that AEP has established appropriate financial reporting procedures and these procedures are currently operating. The committee has also assessed the suitability of the appointment of the Company's current audit firm and designated individual partner and will continue to do so annually for every re-appointment.

Risk function: Independent risk experts are invited to committee meetings as, and when, necessary. In addition to the non-executive Directors referred to above, additional members of the audit and risk committee to deal with the risk function are appointed by the Board and will include executive and non-executive directors, and comprise people with adequate risk management skills and experience to equip the committee to perform its functions. Members of Senior Management responsible for the various areas of risk management will be invited to attend the risk portion of the meetings. The audit and risk committee oversees the development and implementation of a policy and plan for risk management; makes recommendations to the Board concerning the levels of risk tolerance and appetite and monitors that risks are managed within the approved levels; oversees that the risk management plan is widely disseminated throughout the Company; ensures that risks are assessed and monitored on a continuous basis and that management implements appropriate risk responses; assists the Board in the formulation of its opinion on the effectiveness of the system and process of risk management; and reviews the reporting concerning risk management that is to be included in the integrated report.

The number of audit and risk committee meetings held will be disclosed in each of the Company's integrated annual reports. As required by the JSE, the audit and risk committee will consider, on an annual basis, and satisfy itself of the appropriateness and expertise of the financial director. In this regard, the audit and risk committee are satisfied that the financial director, Kevin Simons, has the necessary skills and qualifications to fulfil his responsibilities.

5. **THE SOCIAL AND ETHICS COMMITTEE**

Meriam Kekana and Sifiso Sibiya are the members of the Company's social and ethics committee, which is chaired by Carla Dooling (née Cloete). The committee will meet at least three times a year. The committee considers matters pertaining to the Company's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, in respect of social and economic development, good corporate citizenship (including the promotion of equality, prevention of unfair discrimination; the environment, health and public safety, including the impact of the Company's activities and of its products or services), consumer relationships and labour and employment issues. The responsibility of this committee is further to advise the Board on all relevant aspects that may have a significant impact on the long-term sustainability of the Company and which influence the Company's integrated reporting. The CEO and the other executive directors may attend meetings by invitation.

6. **THE INVESTMENT COMMITTEE**

David Wright and Sello Moloko are the members of the Company's investment committee, which is chaired by Sifiso Sibiya. The committee will meet at least four times a year. The committee will assist the Board in maintaining an appropriate, robust and consistent framework for the analysis of proposed investments, divestments and refurbishments beyond normal operational maintenance and will also review the performance of individual assets on an ongoing basis.

7. **THE COMPANY SECRETARY**

The Board is assisted by an outsourced Company Secretary, IKB. The Board is satisfied that the Company Secretary maintains an arms-length relationship with the Board and is sufficiently qualified and experienced to execute the required duties. The Company Secretary advises the Board on appropriate procedures for management of meetings and ensures the corporate governance framework is maintained.

The Directors have unlimited access to advice and services of the Company Secretary. Nothing has come to the attention of the Board of Directors that indicate non-compliance by the Company with applicable laws and regulations.

The Board has in the current financial year satisfied itself as to the competence, qualifications and experience of the Company Secretary, and will continue to do so on an annual basis.

8. **APPLICATION OF THE KING CODE**

The Company's key point of reference for its governance structures is King IV. The table below, the best knowledge and belief of the Board, sets forth the extent of the Company's current application of the principles of King IV and explains the non-application of certain principles where principles are not fully applied.

King IV Principle	AEP Compliance Commentary
LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP	
Leadership	
1. The governing body should lead ethically and effectively.	The board confirms its commitment to the highest standards of corporate governance. The board charter was adopted by the board and has set the ethical foundation for how the company operates. The board and its committees monitor compliance and the directors individually and collectively cultivate and exhibit integrity, competence, accountability, fairness and transparency in their leadership. They act ethically in discharging their responsibility to provide strategic direction and control of the company as provided for in the board charter and the company's Memorandum of Incorporation. The ethics of the board and the directors are regularly monitored and will further be considered in the annual board evaluation process. The board confirms that a Code of Conduct Policy will be adopted by the company which will set the ethical foundation for how the company operates.
Organisation Ethics	
2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The board has established the social and ethics committee to ensure that issues related to the environment, health and safety as well as sustainability are given due consideration. This committee reports to the board. AEP listed on 30 June 2017 and has not had any social and ethics committee meetings to date. Management has been delegated the responsibility for the implementation of the Code of Conduct.

King IV Principle	AEP Compliance Commentary
	The board, with the assistance of the social and ethics committee and the audit and risk committee, will exercise ongoing oversight of the management of ethics, monitoring the company's activities with regards to ethics and ensuring that our conduct supports our values. The purpose that the Code will serve is to give guidance in interactions with all stakeholders and to address the key ethical risks of the company. Our programmes will include a whistle-blower facility, operated by an independent service provider, which will enable employees and other stakeholders to report confidentially and anonymously any unethical or risky behaviour and which will contribute to our strong ethical foundation. Directors are mindful of their fiduciary duties and their duty to act in accordance with applicable legislation. Records of directors' financial interests are kept and updated on an ongoing basis. Each director acts with independence of mind in the best interests of the company and its stakeholders. In its deliberations, decisions and actions, the board is sensitive to the legitimate interests and expectations of the company's stakeholders. The company further maintains a register of director interests, which is updated on an ongoing basis. At the beginning of every board meeting, the Chairman actively reminds members to declare where they maybe conflicted and to recuse themselves in these circumstances.
Responsible corporate citizenship	
3. The governing body should ensure that the organisation is and be seen to be a responsible corporate citizen.	The board ensures that the company complies with all applicable legal requirements and that the relevant structures are in place for compliance. The company further manages its employees in a fair and responsible manner and is also committed to looking after the environment and society in which it operates. Through the board charter and Social and Ethics terms of references a framework will be established to ensure human and financial resources are employed effectively, including to beneficially impact on communities. AEP is still a SPAC therefore our commitment to the environment and society will only be measured in the next reporting period, once the viable asset is acquired.
Strategy and Performance	
4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The board acknowledges the strategy and performance responsibility as detailed in the board charter. AEP's board will undertake a robust interrogation of the company's purpose, risks and opportunities, strategy and business model with due consideration to all the capital requirements. Management is tasked with the formulation of a business plan including key performance measures and targets, which will then be approved by the board. Every quarter the board will actively monitor performance against all the targets in acknowledgement that the outcomes for all the capitals are connected for value creation.

King IV Principle	AEP Compliance Commentary
	The company endeavours to create trust and goodwill with stakeholders which will ultimately foster a positive business environment that facilitates business growth while building the company's image and brand as an ethical, responsible and concerned corporate citizen. AEP is aware of its responsibility to present a balanced and comprehensive assessment of the company to all its identified stakeholders. The company aims to develop mutually beneficial relationships with its stakeholders, built on a foundation of effective and practical communication strategies, for the benefit of stakeholders and society as a whole.
Reporting	
5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The board, through the audit and risk committee and other board committees, ensures that the necessary controls are in place to verify and safeguard the integrity of the Annual Reports and any other disclosures. The audit and risk committee oversees and reviews the annual financial statements, which are audited by the external auditors. The social and ethics committee's role is to oversee the sustainability reporting assurance and the remuneration committee's role is to monitor remuneration reporting, which is reviewed by the company's remuneration consultants. The Annual Report provides a review of the sustainability of the company, including the company's financial and economic performance on matters material to the company's strategy and the key stakeholders. Reporting is prepared in line with recognised guidelines that ensure compliance with legal requirements and relevance to stakeholders including International Financial Reporting Standards (IFRS), King IV and the Listings Requirements.
Primary roles and responsibilities of the governing body	
6. The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The board ensures that the company applies the governance principles contained in King IV and will continue to further entrench and strengthen recommended practices through the company's governance structures, systems, processes and procedures. Every year a gap analysis will be conducted by a governance expert to ensure full compliance. The board, through effective corporate governance directs and manages the operations of the company. The board reviews company policies as and when the need arises to do so. The board, as well as any director or committee, may obtain independent, external professional advice at the company's expense concerning matters within the scope of their duties and the directors may request documentation from and set up meetings with management as and when required. An appropriate governance framework and the necessary policies and processes are in place to ensure entities in the company adhere to the required governance standards. The company's governance framework and corporate governance practices are disclosed in the Governance Report in the Annual Financial Statement.

King IV Principle	AEP Compliance Commentary
Composition of the governing body	
7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The board consists of 11 directors, three of whom are executive directors and eight of whom are non-executive directors. Five of the eight non-executive directors are independent. The Chairman of the board is an independent non-executive director. The board has also considered and satisfied itself with regards to the competence and qualifications of all board members. Furthermore, the company appoints directors based on certain criteria which include, *inter alia*: • Leadership qualities; • Depth of experience; • Independence; • Business acumen; and • Personal integrity beyond reproach. The process to identify suitable candidates for appointment to the board involves taking into consideration diversity and inclusion, and as such, the board is in the process of adopting a policy on the promotion of gender and race diversity at board level, and shall report in the Integrated Annual Report on how it has made progress towards meeting the targets established in the policy. The policy will be tabled at the November 2018 board meeting, and will be made available on the Company's website once adopted. Directors are appointed in terms of the company's Memorandum of Incorporation.
Committee of the governing body	
8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	As set out in the board charter, the board has four standing committees that assist it in discharging its duties and responsibilities. The committees are as follows: the audit and risk committee, the investment committee, the remuneration and nomination committee, and the social and ethics committee. These committees operate in accordance with written terms of reference approved by the Board, which will be reviewed annually. The committees are appropriately constituted and members are appointed by the board, with the exception of the audit and risk committee whose members are nominated by the board and elected by shareholders of the company. The nomination committee reviews the composition of board committees and makes recommendations to the board with regard to their composition, taking into account factors such as diversity and skills and the need to create a balanced distribution of power. External advisors, executive directors and members of executive and senior management attend committee meetings by invitation. Any non-executive director may also attend meetings by invitation. The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group. The board considers the allocation of roles and associated responsibilities and the composition of membership across committees holistically. A delegation by the board of its responsibilities to a committee will not by or of itself constitute a discharge of the board's accountability

King IV Principle	AEP Compliance Commentary
Evaluation of the performance of the governing body	
9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	The effectiveness and performance of the board as a whole and the individual board committees will be evaluated annually. The remuneration and nominations committee together with company secretary, will assist the board in developing a performance-based evaluation criteria which will aid the board in ensuring the continuous development of directors. An external service provider will assist the board and board committee with evaluations in respect of the board's performance in FY2018. The board wishes to satisfy itself that the evaluation process will improve the board's performance and effectiveness.
Appointment and delegation to management	
10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	The company has delegated the overall management of the operations to an external management company except for instances where approval by the board or shareholders is expressly required. Furthermore the company will implement and roll out a detailed Delegation of Authority (DoA) once the company acquires a viable asset and progresses from a SPAC to a Main Board listed company. The role and responsibilities of the Chief Executive Officer are set out in the board charter. The Board, with the assistance of the remuneration and nomination committee, is responsible for ensuring that succession plans are in place for the Chief Executive Officer and other senior executives. The Chief Executive Officer is accountable to the board for the successful implementation of our strategy and the overall management and performance of the company. The Chief Executive Officer is supported by a competent, multi-skilled team, which helps him execute his responsibilities.
GOVERNANCE FUNCTION AREAS	
Risk governance	
11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The company has appointed an audit and risk committee as a sub-committee of the boards, all of which members are independent non-executive directors, and are suitably skilled and experienced. The committee discusses risks associated with the business and reports to the board on tolerance thereof. The committee discusses and evaluates risks related to their functions and reports to the board. The board is satisfied that the executive management team is constantly aware of risk factors and actively seeks ways in which to overcome controllable risks and those that can be influenced and to minimise the impact of the uncontrollable risks.

King IV Principle	AEP Compliance Commentary
Technology and information governance	
12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The audit and risk committee oversees amongst others, the IT risk of the company. The responsibility is set out in the committee's terms of reference. The committee reports to the board on management's and the external auditors' feedback on IT governance. The Code of Conduct, to be approved by the board, will set out the requirement of legal compliance and provide for the company to develop and implement a policy. The company will develop a Legal and Regulatory Compliance Policy and, with the assistance of audit and risk committee, identify the legal and regulatory universe applicable to AEP. Implementation of the Policy will be monitored by management and reported to the audit and risk committee and to the social and ethics committee.
Compliance governance	
13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Management, together with the assistance of the audit and risk committee, will further develop a legal and regulatory compliance policy to ensure compliance within the organisation.
Remuneration and Governance	
14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in short-, medium- and long-term.	The directors' remuneration is benchmarked against industry norms and other similar listed companies. Based on this exercise it is the board's view that directors and executives are remunerated fairly and responsibly. Information regarding remuneration of directors is disclosed in the Annual Financial Statements.

King IV Principle	AEP Compliance Commentary
Combined assurance	
15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The audit and risk committee and the executive committee have developed a risk based approach monitoring a comprehensive system of internal controls. The audit and risk committee ensures that the combined assurance from both external auditors and executive committee appropriately addresses the identified company risks. The audit and risk committee also monitors the activities of management in their role as custodians of business processes to ensure the effective implementation, review and maintenance of internal controls, as well as alignment with other assurance providers.
STAKEHOLDER RELATIONSHIPS	
Stakeholders	
16. In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	AEP is committed to transparent, comprehensive and objective communication with its stakeholders. The company maintains a website (www.aep.co.za), which provides information regarding the company's operations, financial performance and other information. Shareholders are encouraged to attend the Annual General Meeting and to use it as an opportunity to engage with the board and senior management. Summaries of the results of decisions taken at shareholders' meetings are disclosed on SENS and the company's website following the meetings.

AEP ENERGY AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2017/024904/06)
JSE share code: AEY ISIN: ZAE000241741
("**AEP**" or "**the Company**")

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of shareholders of the Company will be held at the offices of AEP, 2nd Floor, 28 Fricker Road, Illovo at 10:00 on Thursday, 25 October 2018 for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions set out below, in the manner required by the Companies Act and the Listings Requirements.

The following dates apply to the General Meeting:

	2018
Record date to receive the Notice of General Meeting in terms of section 59(1) of the Companies Act	Friday, 21 September
Last day to trade in order to be eligible to participate in and vote at the General Meeting	Wednesday, 17 October
Record date (for voting purposes)	Friday, 19 October

Shareholders entitled to attend and vote at the General Meeting may, in terms of section 58 of the Companies Act, appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a Shareholder of the Company. A Form of Proxy, which sets out the instructions for its completion, is enclosed for the use of Certificated Shareholders or Own-name Dematerialised Shareholders who wish to be represented at the General Meeting.

Completion of a Form of Proxy will not preclude such Shareholders from attending and voting (in preference to that Shareholder's proxy) at the General Meeting. It is requested that the Form of Proxy reach the Transfer Secretaries at the address given below by 10:00 on Tuesday, 23 October 2018. Alternatively, they may be handed to the Chairman at the commencement of the General Meeting up until voting on the specific resolution.

IDENTIFICATION OF MEETING PARTICIPANTS

In terms of Section 63(1) of the Companies Act, before any person may attend or participate in a shareholders' meeting, that person must present reasonable satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy of a shareholder, has been reasonably verified.

ELECTRONIC PARTICIPATION IN THE GENERAL MEETING

Shareholders or their proxies may participate in the General Meeting by way of a teleconference call, provided that if they wish to do so:

- they should contact the company secretary by email at the address: siphiwe@ikbcosec.co.za by no later than 10:00 on Tuesday, 23 October 2018 in order to obtain a pin number and dial-in details for that conference call;
- they will be required to provide reasonably satisfactory identification; and
- they will be billed separately by their own telephone service providers for their telephone call to participate in the General Meeting.

ORDINARY RESOLUTION NUMBER 1 – Approval for the Acquisition

"**RESOLVED THAT**, as an ordinary resolution in terms of paragraph 9.20 of the Listings Requirements, the Sale and Purchase Agreement, dated 25 June 2018, entered into between the Company, First Independent Power (Kenya) Limited and Global Power Generation Sociedad Anónima, in terms of which the Company will acquire 100% of the issued share capital of IberAfrica Power (East Africa) Limited ("IberAfrica"), together with all shareholders' claims against IberAfrica, for a maximum aggregate purchase consideration of USD61 569 066 (ZAR835 492 226), as more fully described in the circular to shareholders containing this Notice of general meeting of which this ordinary resolution number 1 forms part, a signed copy of which agreement, initialled by the chairman of this meeting for identification purposes, and tabled at this meeting, be and is hereby ratified and approved."

Voting threshold

Ordinary resolutions number 1 is subject to a simple majority being cast in favour thereof.

SPECIAL RESOLUTION NUMBER 1 – Authorisation for the ability to issue 30% or more of the Ordinary Shares currently in issue in terms of section 41(3) of the Companies Act for purposes of implementing the Specific Issue

"**RESOLVED THAT**, subject to the passing of Ordinary Resolution Number 1, as a special resolution to the extent required in terms of section 41(3) of the Companies Act, the Board be and is hereby authorised to issue up to a maximum of 136 500 000 new Shares in the authorised but unissued share capital of the Company pursuant to the Specific Issue, such number of Shares having voting powers equal to or in excess of 30% (thirty percent) of the voting rights of all the Shares held by the Shareholders immediately before the implementation of the Specific Issue."

Explanatory note on special resolution number 1

The effect of adopting this Special Resolution Number 1 is that the Board will be authorised, in terms of section 41(3) of the Companies Act, to issue such number of Ordinary Shares having voting rights equal to or in excess of 30% of the voting rights of all Ordinary Shares in issue immediately prior to the proposed issuance, for purposes of implementation of the Specific Issue.

Voting threshold

In order for this Special Resolution Number 1 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Special Resolution.

SPECIAL RESOLUTION NUMBER 2 – Authority for the Board to issue new Shares of the Company to the PIC, Destiny, Trodera and Ebotos, to the extent that they are regarded as persons falling within the ambit of section 41(1) of the Companies Act

"**RESOLVED THAT**, subject to the passing of Ordinary Resolution Number 1 and Special Resolution Number 1, and as a special resolution to the extent required in terms of section 41(1) of the Companies Act, the Company shall be authorised to issue new Shares in the authorised but unissued share capital of the Company, as follows: (i) to the extent applicable, to the PIC pursuant to the PIC Subscription; (ii) to Destiny and/or Trodera pursuant to the Destiny/Trodera Subscription, and (iii), to Ebotos pursuant to the Ebotos Subscription, to the extent that the PIC, Destiny, Trodera and Ebotos are regarded as persons falling within the ambit of section 41(1) of the Companies Act, being a Director, future Director, prescribed officer or future prescribed officer of the Company or a person related or inter-related to the Company or related or inter-related to a Director or prescribed officer of the Company."

Explanatory note on special resolution number 2

The effect of adopting this Special Resolution Number 2 is that the Board will be authorised, in terms of section 41(1) of the Companies Act, to issue Ordinary Shares to a person falling within the ambit of section 41(1) of the Companies Act, in each case to the extent required for the purposes of implementation of the Specific Issue.

Voting threshold

In order for this Special Resolution Number 2 to be adopted, it must be supported by at least 75% (seventy five percent) of the voting rights entitled to be exercised on this Special Resolution.

ORDINARY RESOLUTION NUMBER 2 – Approval for the Destiny/Trodera Subscription in terms of the Listings Requirements

"**RESOLVED THAT**, subject to the approval of Ordinary Resolution 1, the Company be authorised, to issue up to a maximum of 35 490 000 new AEP shares at the Issue Price to Destiny Corporation Management Services Proprietary Limited and Trodera Proprietary Limited, each being a related party to the Company in terms of paragraph 10 of the Listings Requirements, or to such other third party as the board of directors of the Company may from time to time deem fit, on the terms and subject to the conditions as further described in the circular to shareholders containing this Notice of general meeting of which this special resolution number 2 forms part, be and is hereby approved."

ORDINARY RESOLUTION NUMBER 3 – Approval for the Ebotos Subscription in terms of the Listings Requirements

"**RESOLVED THAT**, subject to the approval of Ordinary Resolution 1, the Company be authorised, to issue up to a maximum of 13 650 new AEP shares at the Issue Price to Ebotos, being a related party to the Company in terms of paragraph 10 of the Listings Requirements, or to such other third party as the board of directors of the Company may from time to time deem fit, on the terms and subject to the conditions as further described in the circular to shareholders containing this Notice of general meeting of which this special resolution number 3 forms part, be and is hereby approved."

Explanatory note on ordinary resolutions 2 and 3

Destiny is an associate of N Gugushe, ECMB Kikonyogo, TP Leeuw and MS Moloko, who are Directors, and is accordingly a Related Party to the Company in terms of paragraph 10.1(b)(vii) of the Listings Requirements. It is also the Manager of AEP.

Trodera is an associate of N Gugushe and ECMB Kikonyogo, who are Directors, and is accordingly a Related Party to the Company in terms of paragraph 10.1(b)(vii) of the Listings Requirements.

Ebotos, whose issued shares are 100% held by SS Sibiya, a Director, is a Related Party in terms of paragraph 10.1(b)(vii) of the Listings Requirements.

Accordingly and in terms of the Listings Requirements, ordinary resolutions 2 and 3 require approval by Shareholders in terms of an ordinary resolution.

Voting threshold

In terms of the Listings Requirements, a 75% majority of the votes cast by the Shareholders present in person or represented by proxy at the General Meeting (excluding Destiny and Trodera in respect of ordinary resolution 2 and Ebotos in respect of ordinary resolution 3, and their respective associates) is required to approve ordinary resolutions 2 and 3. Destiny, Trodera and Ebotos will be taken into account in determining a quorum for the General Meeting.

ORDINARY RESOLUTION NUMBER 4 – Approval for the PIC Subscription in terms of the Listings Requirements

"**RESOLVED THAT**, subject to the approval of Ordinary Resolution 1, the Company be authorised to issue up to a maximum of 49% of the Specific Issue Shares at the Issue Price to the PIC, a related party to the Company in terms of paragraph 10 of the Listings Requirements, or to such other third party as the board of directors of the Company may from time to time deem fit, on the terms and subject to the conditions as further described in the circular to shareholders containing this Notice of General Meeting of which this ordinary resolution number 4 forms part, be and is hereby approved."

Explanatory note on ordinary resolution 4

The PIC, being a material shareholder of the Company, is a Related Party in terms of paragraph 10.1(b)(i) of the Listings Requirements.

Section 41(1) of the Companies Act requires Shareholders to approve the issue of securities by way of a special resolution, if the shares are to be issued to a director/s or a person related or inter-related to a director/s.

Voting threshold

In terms of the Listings Requirements, a 75% majority of the votes cast by the Shareholders present in person or represented by proxy at the General Meeting (excluding the PIC and their associates) is required to approve ordinary resolution 4. The PIC will be taken into account in determining a quorum for the General Meeting, however the PIC will not be entitled to vote on this ordinary resolution 4.

ORDINARY RESOLUTION NUMBER 5 – General authorising resolution

"RESOLVED THAT, any Director or the Company Secretary of AEP be and is hereby authorised to do all such things and sign all such documents as may be necessary to give effect to the Resolutions."

Voting threshold

Ordinary resolution number 5 is subject to a simple majority being cast in favour thereof.

VOTING AND PROXIES

Shareholders who have not Dematerialised their Shares or who have Dematerialised their Shares with Own-name Registration, and who are entitled to attend and vote at the General Meeting, are entitled to appoint one or more proxies to attend, speak and vote in their stead. A proxy need not be a Shareholder and shall be entitled to vote on a show of hands or poll. It is requested that Forms of Proxy be submitted to the transfer secretaries to be reached by 10:00 on Tuesday, 23 October 2018. Shareholders who have not delivered Forms of Proxy to the transfer secretaries by the aforementioned time and date will nevertheless at any time prior to the commencement of the voting on the Resolutions at the General Meeting be entitled to lodge the Form of Proxy with the chairperson of the General Meeting.

On a show of hands, every Shareholder present in person or represented by proxy and entitled to vote shall have only one vote irrespective of the number of Shares such member holds. On a poll, every Shareholder present in person or represented by proxy and entitled to vote shall be entitled to one vote for every Share held or represented by that Shareholder. On a poll taken at any such meeting a Shareholder entitled to more than one vote need not, if he votes, use all of his votes, or cast all the votes he uses in the same way.

Shareholders who have Dematerialised their Shares, other than those Shareholders who have Dematerialised their Shares with Own-name Registration, should contact their CSDP or Broker in the manner and time stipulated in the agreement entered into between them and their CSDP or Broker:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the General Meeting, to obtain the necessary Letter of Representation to do so.

By order of the Board

Johannesburg
27 September 2018

Registered office

c/o Thesele Group
28 Fricker Road, Illovo
Sandton, Johannesburg
Gauteng, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

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REF. JOB016836

AEP ENERGY AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 2017/024904/06)
JSE share code: AEY ISIN: ZAE000241741
("**AEP**" or "**the Company**")

FORM OF PROXY

For use by Certificated Shareholders and Own-name Registered Shareholders, at the General Meeting of the Company to be held at the offices of AEP, 2nd Floor, 28 Fricker Road, Illovo at 10:00 on Thursday, 25 October 2018.

Dematerialised Shareholders (other than Own-name Dematerialised Shareholders) who wish to attend the General Meeting must obtain the necessary authorisation from their CSDP or Broker to attend the General Meeting or advise their CSDP or Broker as to what action they wish to take in respect of voting at the General Meeting.

I/We (please print)

of address (please print)

Telephone number Cellphone number Email:

being the holder/s of Shares in the Company, do hereby appoint

1. or failing him/her;

2. or failing him/her;

3. the Chairman of the General Meeting;

as my/our proxy to act for me/us and on my/our behalf at the General Meeting which will be held for the purposes of considering and, if deemed fit, for the passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the Shares registered in my/our name(s), in accordance with the following (see note 4):

	In Favour	Against	Abstain
Ordinary resolution number 1: Approval of the acquisition of IberAfrica			
Special resolution number 1: Authorisation for the ability to issue 30% or more of the Ordinary Shares currently in issue in terms of section 41(3) of the Companies Act for purposes of implementing the Specific Issue			
Special resolution number 2: Authority for the Board to issue new Shares of the Company to the PIC, Destiny, Trodera and Ebotos, to the extent they are regarded as persons falling within the ambit of section 41(1) of the Companies Act			
Ordinary resolution number 2: Approval of the Destiny/Trodera Subscription in terms of the Listings Requirements			
Ordinary resolution number 3: Approval of the Ebotos Subscription in terms of the Listings Requirements			
Ordinary resolution number 4: Approval of the PIC Subscription in terms of the Listings Requirements			
Ordinary resolution number 5: General authorising resolution			

Shareholders entitled to attend and vote at the General Meeting may, in terms of section 58 of the Companies Act, appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a Shareholder of the Company.

Signed at on 2018

Signature

Assisted by me (where applicable):

Name Capacity Signature

Please see notes below.

Notes to the Form of Proxy

Summary of the rights of a Shareholder to be represented by proxy, as set out in section 58 of the Companies Act:

1. A proxy appointment must be in writing, dated and signed by the Shareholder appointing a proxy and, subject to the rights of a Shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.
2. A proxy may delegate the proxy's authority to act on behalf of a Shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
3. The appointment of a proxy is suspended at any time and to the extent that the Shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a Shareholder.
4. The appointment of a proxy is revocable by the Shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the Shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the Company as required in the first sentence of this paragraph.
5. If the instrument appointing the proxy or proxies has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act or the Company's Memorandum of Incorporation to be delivered by the Company to the Shareholder, must be delivered by the Company to (a) the Shareholder, or (b) the proxy or proxies, if the Shareholder has (i) directed the Company to do so in writing; and (ii) paid any reasonable fee charged by the Company for doing so.
6. Attention is also drawn to the "Notes to the Form of Proxy"
7. The completion of a Form of Proxy does not preclude any Shareholder attending the meeting.

Notes to the Form of Proxy

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a Shareholder of the Company.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the spaces provided, with or without deleting "the Chairman of the meeting", but any such deletion must be initialed by the Shareholder. The person whose name is first on this Form of Proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. Please insert an "X" in the relevant spaces indicating how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of Shares than you own in the Company, insert the number of Shares held in respect of which you wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the meeting as he/she deems fit in respect of all the Shareholders' votes exercisable thereat. A Shareholder or his/her proxy is not obliged to use all the votes exercisable by the Shareholder or by his/her proxy, but the total of the votes cast in respect of which abstention is recorded may not exceed the total of the votes exercisable by the Shareholder or by his/her proxy.
4. The Form of Proxy should reach the Transfer Secretaries by 10:00 on Tuesday, 23 October 2018. Any Forms of Proxy not received by this time may be handed to the Chairman of the meeting immediately prior to the meeting.
5. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.
6. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity must be attached hereto, unless previously recorded by the Transfer Secretaries or waived by the Chairman of the meeting.
7. Any alteration or correction made to this Form of Proxy must be initialed by the signatory/ies.
8. A minor must be assisted by his/her parents or guardian unless the relevant documents establishing his/her capacity are produced or have been registered by the Transfer Secretaries.
9. The Chairman of the meeting may reject or accept any Form of Proxy which is completed other than in accordance with these instructions provided he is satisfied as to the manner in which the Shareholder wishes to vote.