

PME African Infrastructure Opportunities plc

Annual Report

Year ended 31 December 2010

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Directors and Advisers

Directors

* independent

David von Simson (Non-executive Chairman) *
Lawrence Kearns (Non-executive Director) *
Paul Macdonald (Non-executive Director) *
Graca Machel (Non-executive Director) *
all of the registered office below

Registered Office

Millennium House
46 Athol Street
Douglas
Isle of Man
IM1 1JB

Investment Manager

PME Infrastructure Managers Limited
c/o M&C Corporate Services Limited
PO Box 309 GT
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands

Nominated Adviser

Smith & Williamson Corporate Finance Limited
25 Moorgate
London
EC2R 6AY

Broker

Oriel Securities Limited
150 Cheapside
London
EC2V 6ET

Distribution Adviser

Helvetica (Isle of Man) Company Limited
Level 6, 10a Prospect Hill
Douglas
Isle of Man
IM1 1EJ

Administrator and Registrar

Galileo Fund Services Limited
Millennium House
46 Athol Street
Douglas
Isle of Man
IM1 1JB

Directors and Advisers (continued)

Auditor

PricewaterhouseCoopers LLC
3rd Floor, Sixty Circular Road
Douglas
Isle of Man IM1 1SA
British Isles

Offshore Registrar

Capita Registrars (Jersey) Limited
12 Castle Street
St Helier
Jersey
JE2 3RT

Chairman's Statement

On behalf of the Board, I am pleased to present the final results for PME African Infrastructure Opportunities plc ("PME" or "the Company") for the year ended 31 December 2010.

Investments and Valuations

PME and its subsidiaries ("the Group") presently comprises four portfolio investments, following the disposal of our investment in Econet Burundi.

These now break down into two broad holdings – our rail interests in South Africa, and our telecommunications investments in Tanzania and Uganda. Progress on these investments is described more fully in the Investment Manager's report. It is however important for shareholders to understand that these investments have very different characteristics.

The rail investments are very largely represented by our ownership of twelve locomotives. These are assets with reasonably predictable returns, for which there is an active market and for which market prices have been relatively stable. The telecommunications assets on the other hand are more subject to the vagaries of supply and demand, and to competitive pricing pressures. Moreover they are still twelve to eighteen months away from anticipated breakeven, and investment outcomes are therefore inherently more unpredictable.

The market for voice communication has been subject to intense competitive pressures, which has resulted in a rapid fall-off in average revenue per user throughout much of Africa. As detailed in the Investment Manager's report, our response has been to focus on developing our offering in the data field, where we see demand growing much more strongly, and where we also possess certain competitive advantages derived from our technology that enables us to compete effectively with capacity constrained GSM operators. We believe these investments are now at an inflection point, and expect to be able to report further on developments at the time of releasing the Interim Results.

Financial Results

Our investments in the telecommunications segment are controlling stakes and therefore for accounting purposes their operating losses are required to be consolidated in the financial statements.

The operating loss attributable to ordinary shareholders for the year ended 31 December 2010 was US\$12.2 million (2009: US\$13.4 million). The Groups net result includes US\$4.2 million (2009: US\$3.8 million) of finance income generated by our fleet of twelve C30 railway locomotives and US\$3.6 million (2009: US\$2.2 million) of revenues from the telecommunications segment.

At 31 December 2010, PME's Net Asset Value attributable to ordinary shareholders in accordance with IFRS was US\$102.4 million (71 cents per share), 27.2% down from the US\$140.6 million (93 cents per share) that was reported as at 31 December 2009. However taking into account dividends totalling \$18.3m (12.6 cents per share) paid during the year this percentage drop is reduced to 14.2%. Further, the positive impact of share buy-back operations had the effect of reducing the impact on Net Assets per Ordinary Share to 10.1%.

The Group's share of non-current borrowings or gearing which is used in determining the gross asset value, was US\$2.2 million (31 December 2009: US\$5.8 million), reflecting a reduction in vendor finance arrangements and borrowings at two of the Company's investments: TMP Uganda and Sheltam.

Dividend Payment and Outlook

As we have previously announced, it is intended to continue returning uninvested cash to shareholders, and to concentrate on creating value in our existing investments.

Chairman's Statement (continued)

During the year we paid out a dividend of 2.6 cents per Ordinary Share on 24 March 2010 to shareholders on the record as of 26 February 2010 and 10 cents per Ordinary Share on 22 October 2010 to shareholders on the record as of 24 September 2010.

We now propose to pay a final dividend of 14 cents per Ordinary Share for the year ended 31 December 2010 on 29 July 2011 to shareholders on the record as of 22 July 2011. This is subject to shareholder approval at the upcoming Annual General Meeting to be held on 19 July 2011. Details of adjustments to the Warrant exercise price will be announced when determined.

There is no change to the previously reported position with regard to the Investment Manager, PME Infrastructure Managers, or to the contract, which is capable of termination by the Board from July 2011 by giving twelve months' notice. Discussions have taken place for the negotiation of an early termination but these have not resulted in terms that the Board feels able to recommend to shareholders. In the meantime the Board has full confidence in Brian Smith of Masazane Capital, one of the shareholders in PME Infrastructure Managers and its current chief executive, with whom it has been working closely over the last twelve months.

David von Simson
Chairman
14 June 2011

Report of the Investment Manager

African economies as a whole continue to develop; buoyed by strong commodity demand, domestic consumer growth and international investment. This positive trend is likely to continue over the near term. Apart from certain isolated incidents, the political environment has remained relatively stable in the region and in PME's investee countries, namely South Africa, Tanzania and Uganda.

Against this backdrop, PME has continued to restructure its portfolio. All operations have stabilised and have started to demonstrate tangible progress.

PME remains in consolidation mode and no new investments are being considered at this stage.

Dovetel Tanzania Limited and TMP Uganda Limited

The long awaited African data revolution finally appears to be gaining momentum as a number of undersea cables simultaneously touch the continent. Changes in markets such as Kenya have been profound and a similar pattern of falling prices accompanied by significant growth in customer numbers and levels of data usage can be seen in Tanzania and Uganda.

We believe that demand for effective data connectivity and related services will be huge, particularly in the business market which has traditionally been under-served by the large mobile network operators. We have accordingly repositioned both the Tanzanian and Ugandan businesses from the retail into the business market with some encouraging success.

The businesses have, as yet, not achieved break-even but they continue to track their business plans and we believe that a combination of the current sales momentum, strategic initiatives and stronger financial controls should address this over the next 12 to 18 months. This view is shared by a number of independent consultants retained by management and independently by the Board of PME. The next three months are critical, as a number of new initiatives are being launched in Tanzania including VoIP, the roll out of a next generation corporate network and the commercialisation of its data centre. Similar initiatives are being investigated in Uganda and may be launched towards the end of this year.

Whilst these initiatives are exciting we will adopt a pragmatic approach and continue to support both businesses subject to their delivery against specific performance criteria.

PME Properties Limited

The acquisition of the leasehold over Sasatel House located on Toure Drive in Dar es Salaam, Tanzania was completed in December 2010. Long term leases are being finalised with two blue chip tenants over the remaining unoccupied space in the building. The building will be fully let and will start to generate cash returns for PME from June 2011. The property has been independently valued by Knight Frank and the valuation indicates a strong uplift in value from the acquisition cost.

The building will be renamed "Peninsula House" to reflect the fact that the PME related operations now occupy less than a quarter of the available space. A number of options exist to expand the current development given strong demand for A grade office accommodation, with reliable power and data connectivity, on the Peninsula. These options will be investigated further towards the end of this year.

Sheltam Holdings (Pty) Limited ("Sheltam") and PME Locomotives (Mauritius) Limited

Sheltam (in which PME has a 50% stake) continues to recover following the recent market down-turn. Bulk mineral sales and transport volumes have largely recovered but it has taken time for this to be reflected in the market for locomotive services. Marketing activity and potential interest from clients have shown a marked upturn and Sheltam management are hopeful that this will manifest in firm contracts over the next few months.

Sheltam has a fleet of 40 locomotives, including 12 which are leased to Sheltam by PME. By 1 April 2011, Sheltam had placed 28 locomotives of its fleet of 40 locomotives, which is an increase from the 24 locomotives placed in December 2010. 8 of these locomotives are on contract in the Democratic Republic of the Congo, 2 in Mozambique with the balance in South Africa across various customers. A further 2 locomotives are awaiting deployment in South Africa.

Report of the Investment Manager (continued)

Given the slower market recovery Sheltam is in arrears on its finance lease payments to PME Locomotives (Mauritius) Limited. PME remains supportive and is in discussions with Sheltam to normalise the situation. Sheltam is also investigating opportunities to replace the PME lease with Rand-based third party funding, which will offer lower cost and better currency matching.

We continue to believe significant opportunities remain open to Sheltam both in South Africa and across sub-Saharan Africa as the need for bulk transport continues to grow. No update is available on the privatisation of the South African branch lines or on access to South Africa's main lines. Should either of these developments occur the opportunities will be enormous and we believe that Sheltam will be uniquely positioned to benefit from them.

PME Infrastructure Managers Limited

Investment Manager

14 June 2011

Report of the Directors

The Directors hereby submit their annual report together with the audited consolidated and company financial statements of PME African Infrastructure Opportunities plc (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2010.

The Company

The Company is incorporated in the Isle of Man and has been established to invest in sub-Saharan African infrastructure and infrastructure related industries with a view to generating attractive returns, principally through capital growth. It is targeting opportunities arising from years of under-investment in sub-Saharan African infrastructure where that infrastructure will be instrumental in allowing the continent's economic development to continue to grow.

Results and Dividends

The results of the Company and position of the Group and the Company at the year end are set out on pages 14 to 21 of the financial statements.

The Directors intend to manage the Group's affairs to achieve shareholder returns through capital growth rather than income, and accordingly there can be no certainty that any future dividends will be paid. It is not expected that the Company will pay any significant dividends in the early years of its operations. However the Directors reserve the right to make dividend distributions to holders of Ordinary Shares if and when it is considered appropriate. In the year to 31 December 2010 the Directors declared and paid dividends of US\$18,307,619 (2009: US\$nil).

Subject to shareholder approval, the Directors intend to declare a further dividend as detailed in the Chairman's Statement.

Directors

The Directors during the year and up to the date of this Report were as follows:

David von Simson (Chairman)

Lawrence Kearns

Paul Macdonald

Graca Machel

Brian Myerson (resigned 15 July 2010)

Directors and Other Interests

Brian Myerson, previously a director of the Company, is executive chairman of Principle Capital Holdings Limited ("PCH") and was joint chairman of the Investment Manager, PME Infrastructure Managers Limited. PCH indirectly owns 31.67% of the Investment Manager. Silex Management Limited ("Silex"), an indirect subsidiary of PCH, was retained by the Company to oversee the administration of the overseas subsidiaries up to 30 September 2010.

Lawrence Kearns holds 100,000 Ordinary Shares and is non-executive director of the Administrator and was a non-executive director of the Custodian up until 31 December 2010.

David von Simson holds 100,000 Ordinary Shares and 24,999 Warrants in the Company.

Save as disclosed above, none of the Directors had any interest during the year in any material contract for the provision of services which was significant to the business of the Group.

Report of the Directors (continued)

Independent Auditor

During the year the directors, having been notified of the resignation of PricewaterhouseCoopers as auditor of the company, resolved that PricewaterhouseCoopers LLC be appointed as successor auditor in accordance with Section 12(7) of the Isle of Man Companies Act 1982. PricewaterhouseCoopers LLC, being eligible, has indicated its willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

Corporate Governance

The Board of Directors recognises the importance of good Corporate Governance and intends that best practice is adopted and applied in so far as it is appropriate for a company of its size and stage of development. As an AIM traded company, the UK Corporate Governance Code does not apply, however, the Board complies with the requirements of the Corporate Governance Guidelines for smaller quoted companies.

This report describes how the Company has applied the principles of good Corporate Governance throughout the year.

The Board

The Board comprised four Non-Executive Directors as at 31 December 2010. The role of non-executive directors is to challenge constructively, contribute to the development of strategy, to scrutinise the performance of the Investment Manager in meeting agreed goals and objectives and monitor its performance, and through the various committees to satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible.

The Board considers all non-executive directors as independent.

Roles and Responsibilities

The Board as a whole is responsible for the Company's objectives and policies and the proper governance of the Company. It normally meets four times a year but also convenes at additional times when required.

The Board monitors the operating and financial results against plans and budgets, reviews the performance of the Investment Manager, assesses the adequacy of risk management systems and monitors their application and ensures that the Company's obligations to its shareholders and others are understood and met.

The Company maintains directors' and officers' liability insurance which is reviewed annually to ensure that cover is held at an appropriate level.

Directors' appointment

All new directors appointed by the Board are required to seek election at the next general meeting of the Company following their appointment and subsequently all directors are required to retire by rotation in accordance with the Articles.

Board Committees

The Board has created and delegated certain specific areas of responsibility to four standing committees.

Audit Committee

The Audit Committee is chaired by Mr Macdonald. The other members of the committee are Mr Kearns and Mr von Simson. The Audit Committee formally meets at least twice a year and is responsible for ensuring that the financial performance of the Company is properly monitored and reported. This process includes reviews of annual and interim accounts, results announcements, internal control systems, procedures and accounting policies.

Report of the Directors (continued)

Nomination Committee

The Nomination Committee is chaired by Mr Kearns. The other members of the committee are Mr von Simson and Mr Macdonald. The Nomination Committee is responsible for ensuring that the Board consists of members with the range of skills and qualities to meet its principal responsibilities in a way which ensures that the interests of stakeholders are protected and promoted, and the requirements of the AIM rules are complied with.

Remuneration Committee

The Remuneration Committee is chaired by Mr Kearns with Mr Macdonald as the other member. The Remuneration Committee is responsible for any required framework for the remuneration of the non-executive directors. The fees payable to the Chairman and the fees payable to the other directors have been set. Mr Myerson has agreed to waive the fees to which he would otherwise have been entitled as a director of the Company.

Management Engagement Committee

The Management Engagement Committee is chaired by Mr von Simson. The other members of the committee are Mr Kearns and Mr Macdonald. The Management Engagement Committee is responsible for reviewing the performance of the Manager and for ensuring that the Company's management contract is competitive and reasonable for the Company's shareholders. It is also responsible for reviewing the performance of other third party service providers.

On behalf of the Board

David von Simson

Chairman

14 June 2011

Investing Policy

Investment Objective

The Company's investment objective is to achieve significant total return to investors through investing in various infrastructure projects and related opportunities across a range of countries in sub-Saharan Africa.

Sector Focus

PME invests in infrastructure or infrastructure-related projects in the following sectors:

- Transportation (rail, ports, roads, airports and distribution)
- Telecommunications (mobile, cable and data transmission)
- Energy (power and distribution, oil and gas infrastructure)
- Water & Sanitation
- Housing Infrastructure serving the above industries
- Healthcare & Pharmaceuticals

Strategic Focus

We typically look at early stage investments or companies at an inflexion point in their development. Our experience in managing risk and adding value means that we look at stages of a company's development which many other investors ignore. Part of our approach to risk management focuses on working with the best local partners. Our network throughout Africa allows us to ensure that we choose the right partner to grow the business and work within the community.

In all our investments, we seek opportunities that have the potential for dynamic capital growth over an investment horizon of 3 to 5 years.

Investment Quantum

PME will invest generally up to US\$25 million in equity although our network of African and international co-investors allows us to lead the funding for larger equity commitments. In order to ensure suitable diversification in the portfolio, the Company will not, without Board approval, invest:

- more than 15% of its net assets (at book cost) in any single investment;
- more than 40% of its net assets (at book cost) in any one country; or
- more than 30% of its net assets (at book cost) in any one industry or economic group.

Gearing

The Company will make use of debt facilities as required which will be secured against individual projects without recourse to the Company but such that the overall level of commercial debt will not exceed a debt:equity ratio of 70:30. This ratio is subject to review by the Board in light of prevailing market conditions.

PME's Value

PME seeks to add value in a number of ways through an active role with its investments:

- Additional funding: we raise and structure debt through our close ties with all the major African banks and multi-lateral and international institutions. In addition, we can arrange the funding for much larger equity commitments through our network of African and international co-investors.
- Strategic input: our experience in infrastructure development combined with a network of advisers and technical partners allows us to expand the horizons of our investments.
- PME believes that the managers of the companies it invests in should be incentivised to fully maximise the potential of the value we can create together.
- Although we seek a controlling interest, we are able to introduce flexible structures to accommodate and align the interests of all stakeholders.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Isle of Man law.

Company law requires the directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

David von Simson

Chairman

14 June 2011

Report of the Independent Auditor

Report on the Consolidated and Parent Company Financial Statements

We have audited the accompanying consolidated and parent company financial statements ('the financial statements') of PME African Infrastructure Opportunities plc and its subsidiaries (the 'Group') which comprise the consolidated and parent company balance sheets as of 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated and parent company statements of changes in equity and consolidated and parent company cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these consolidated and parent company financial statements in accordance with applicable Isle of Man law and International Financial Reporting Standards as adopted by the European Union, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2010; and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements give a true and fair view of the financial position of the parent company as of 31 December 2010; and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Isle of Man Companies Act 1982; and
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

Report of the Independent Auditor (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931-2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the parent company or, proper returns adequate for our audit have not been received from branches not visited by us; or
- the parent company's balance sheet and income statement are not in agreement with the books of account and returns; or
- we have not received all the information and explanations necessary for the purposes of our audit; and
- certain disclosures of directors' loans and remuneration specified by law have been complied with.

PricewaterhouseCoopers LLC

Douglas, Isle of Man
Chartered Accountants

14 June 2011

Consolidated Income Statement

	Note	Year ended 31 December 2010 US\$'000	Year ended 31 December 2009 US\$'000
Revenue		3,604	2,153
Realised gains on sale of property, plant and equipment		26	1,664
Net change in fair value of financial assets at fair value through profit or loss	13	-	45
Investment Manager's fees	5	(1,688)	(2,041)
Performance fees	5	-	(974)
Operating and administration expenses	6	(26,407)	(22,256)
Foreign exchange gain		235	363
Operating loss		(24,230)	(21,046)
Finance income		5,041	8,624
Finance costs		-	(341)
Net finance income		5,041	8,283
Share of loss of associate	9.2	(1,327)	(667)
Impairment of investment in associate	9.2	(579)	-
Loss before income tax		(21,095)	(13,430)
Income tax	7	(152)	(38)
Loss for the year		(21,247)	(13,468)
Loss attributable to:			
- Owners of the parent		(12,214)	(13,429)
- Non-controlling interest		(9,033)	(39)
		(21,247)	(13,468)
Basic and diluted loss per share (cents) for loss attributable to the equity holders of the Company during the year	8	(8.32)	(8.48)

The accompanying notes on pages 22 to 46 form an integral part of these financial statements

Consolidated Statement of Comprehensive Income

	Year ended 31 December 2010 US\$'000	Year ended 31 December 2009 US\$'000
Loss for the year	(21,247)	(13,468)
Other comprehensive income		
Foreign currency translation differences	(3,399)	945
Other comprehensive (expense)/income for the year	(3,399)	945
Total comprehensive expense for the year	(24,646)	(12,523)
Total comprehensive expense attributable to:		
- Owners of the parent	(14,769)	(12,514)
- Non-controlling interest	(9,877)	(9)
	(24,646)	(12,523)

The accompanying notes on pages 22 to 46 form an integral part of these financial statements

Consolidated Balance Sheet

	Note	As at 31 December 2010 US\$'000	As at 31 December 2009 US\$'000
Assets			
Non-current assets			
Intangible assets	10	2,744	3,534
Investment in associate	9.2	1,227	2,990
Loan due from associate	9.2	9,103	6,335
Property, plant and equipment	11	15,518	15,941
Finance lease receivables	12	26,891	29,188
Trade and other receivables	15	28	3,091
Total non-current assets		55,511	61,079
Current assets			
Finance lease receivables	12	2,297	1,910
Inventory	14	808	2,000
Trade and other receivables	15	4,511	4,522
Cash at bank	16	44,883	84,590
Total current assets		52,499	93,022
Total assets		108,010	154,101
Equity and liabilities			
Equity attributable to owners of the parent:			
Issued share capital	17	1,513	1,516
Foreign currency translation reserve		(3,885)	(1,330)
Capital redemption reserve		292	289
Retained earnings		104,455	140,096
		102,375	140,571
Non-controlling interests		(9,877)	-
Total equity		92,498	140,571
Non-current liabilities			
Long term liabilities	19	2,297	7,997
Total non-current liabilities		2,297	7,997
Current liabilities			
Trade and other payables	19	13,215	5,533
Total current liabilities		13,215	5,533
Total liabilities		15,512	13,530
Total equity and liabilities		108,010	154,101

The financial statements on pages 14 to 46 were approved and authorised for issue by the Board of Directors on 14 June 2011 and signed on its behalf by:

Lawrence Kearns
Director

Paul Macdonald
Director

The accompanying notes on pages 22 to 46 form an integral part of these financial statements

Company Balance Sheet

	Note	As at 31 December 2010 US\$'000	As at 31 December 2009 US\$'000
Assets			
Non-current assets			
Investments in subsidiaries	9.1	92,365	90,905
Total non-current assets		92,365	90,905
Current assets			
Loans and receivables due from subsidiaries	15	10,182	401
Loans and receivables due from associate	15	86	84
Trade and other receivables	15	140	335
Cash and cash equivalents	16	38,538	63,025
Total current assets		48,946	63,845
Total assets		141,311	154,750
Equity and liabilities			
Equity			
Issued share capital	17	1,513	1,516
Capital redemption reserve		292	289
Retained earnings		138,994	151,740
Total equity		140,799	153,545
Current liabilities			
Trade and other payables	19	512	1,205
Total liabilities		512	1,205
Total equity & liabilities		141,311	154,750

The financial statements on pages 14 to 46 were approved and authorised for issue by the Board of Directors on 14 June 2011 and signed on its behalf by:

Lawrence Kearns
Director

Paul Macdonald
Director

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent					Non-controlling interests	Total
	Share capital	Foreign currency translation reserve	Capital redemption reserve	Retained earnings	Total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Balance at 1 January 2009	1,805	(2,245)	-	167,735	167,295	9	167,304
Comprehensive income							
Loss for the year	-	-	-	(13,429)	(13,429)	(39)	(13,468)
Other comprehensive income							
Foreign exchange translation differences	-	915	-	-	915	30	945
Total comprehensive income/(expense) for the year	-	915	-	(13,429)	(12,514)	(9)	(12,523)
Transactions with owners							
Shares cancelled following market purchases	(289)	-	289	(14,210)	(14,210)	-	(14,210)
Balance at 31 December 2009	1,516	(1,330)	289	140,096	140,571	-	140,571
Balance at 1 January 2010	1,516	(1,330)	289	140,096	140,571	-	140,571
Comprehensive income							
Loss for the year	-	-	-	(12,214)	(12,214)	(9,033)	(21,247)
Other comprehensive expense							
Foreign exchange translation differences	-	(2,555)	-	-	(2,555)	(844)	(3,399)
Total comprehensive expense for the year	-	(2,555)	-	(12,214)	(14,769)	(9,877)	(24,646)
Transactions with owners							
Shares cancelled following market purchases	(3)	-	3	(275)	(275)	-	(275)
Shares repurchased to be held in treasury	-	-	-	(4,844)	(4,844)	-	(4,844)
Distributions paid	-	-	-	(18,308)	(18,308)	-	(18,308)
Total transactions with owners	(3)	-	3	(23,427)	(23,427)	-	(23,427)
Balance at 31 December 2010	1,513	(3,885)	292	104,455	102,375	(9,877)	92,498

The accompanying notes on pages 22 to 46 form an integral part of these financial statements

Company Statement of Changes in Equity

	Share Capital	Capital redemption reserve	Retained earnings	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2009	1,805	-	170,585	172,390
Comprehensive income				
Loss for the year	-	-	(4,635)	(4,635)
Total comprehensive expense for the year	-	-	(4,635)	(4,635)
Transactions with owners				
Shares cancelled following market purchases	(289)	289	(14,210)	(14,210)
Balance at 31 December 2009	1,516	289	151,740	153,545
Balance at 1 January 2010	1,516	289	151,740	153,545
Comprehensive income				
Profit for the year	-	-	10,681	10,681
Total comprehensive profit for the year	-	-	10,681	10,681
Transactions with owners				
Shares cancelled following market purchases	(3)	3	(275)	(275)
Shares repurchased to be held in treasury	-	-	(4,844)	(4,844)
Distributions paid	-	-	(18,308)	(18,308)
Total transactions with owners	(3)	3	(23,427)	(23,427)
Balance at 31 December 2010	1,513	292	138,994	140,799

The accompanying notes on pages 22 to 46 form an integral part of these financial statements

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2010 US\$'000	Year ended 31 December 2009 US\$'000
Operating activities			
Loss for the year before income tax		(21,095)	(13,430)
Adjustments for:			
Net change in fair value of financial assets at fair value through profit or loss		-	(45)
Realised gain on sale of property, plant and equipment	11	(26)	(1,664)
Finance income		(5,041)	(8,624)
Finance costs		-	341
Depreciation and amortisation		2,880	2,219
Bad debts written off		543	-
Share of loss of associate		1,327	667
Impairment of associate		579	-
Foreign exchange gain		(235)	(363)
Operating loss before changes in working capital		(21,068)	(20,899)
Decrease/(increase) in inventory		965	(1,959)
Decrease/(increase) in trade and other receivables		2,188	(5,037)
Increase in trade and other payables		1,986	2,794
Cash used in operations		(15,929)	(25,101)
Interest paid		-	(129)
Income tax paid		(36)	(22)
Interest received		106	5,145
Lease rental income received		5,804	4,805
Net cash used in operating activities		(10,055)	(15,302)
Investing activities			
Loan to associate	9.2	(801)	10,000
Loans from third parties		-	7,922
Purchase of property, plant and equipment	11	(4,465)	(10,942)
Purchase of intangible assets	10	-	(951)
Purchase of treasury bills		-	(130,069)
Maturity of treasury bills		-	200,000
Cash restricted by bank guarantees		214	1,911
Net cash (used in)/generated from investing activities		(5,052)	77,871
Financing activities			
Market purchases of shares		(275)	(14,210)
Shares repurchased and held in treasury		(4,844)	-
Distributions paid		(18,308)	-
Net cash used in financing activities		(23,427)	(14,210)
Net (decrease)/increase in cash and cash equivalents		(38,534)	48,359
Cash and cash equivalents at beginning of year		84,346	36,424
Foreign exchange losses on cash and cash equivalents		(929)	(437)
Cash and cash equivalents at end of year	16	44,883	84,346

The accompanying notes on pages 22 to 46 form an integral part of these financial statements

Company Cash Flow Statement

	Note	Year ended 31 December 2010 US\$'000	Year ended 31 December 2009 US\$'000
Operating activities			
Profit/(loss) for the year		10,681	(4,635)
Adjustments for:			
Net change in fair value of financial assets at fair value through profit or loss		-	(45)
Finance income		(14,744)	(54)
Foreign exchange gains		(3)	(430)
Operating loss before changes in working capital		(4,066)	(5,164)
Decrease/(increase) in trade and other receivables		195	(257)
(Decrease)/increase in trade and other payables		(699)	971
Cash used in operations		(4,570)	(4,450)
Dividends received		4,850	-
Interest received		82	54
Net cash generated from/(used in) operating activities		362	(4,396)
Investing activities			
Increase in investment in subsidiaries	9.1	(11,510)	(23,876)
Return of capital from subsidiaries	9.1	10,050	-
Loans repaid by subsidiaries		32	130
Loans to associate		6	-
Purchase of treasury bills	13	-	(130,069)
Maturity of treasury bills	13	-	200,000
Net cash (used in)/generated from/investing activities		(1,422)	46,185
Financing activities			
Market purchases of shares		(275)	(14,210)
Shares repurchased and held in treasury		(4,844)	-
Distributions paid		(18,308)	-
Net cash used in financing activities		(23,427)	(14,210)
Net (decrease)/increase in cash and cash equivalents		(24,487)	27,579
Cash and cash equivalents at beginning of year		63,025	35,014
Foreign exchange gains on cash and cash equivalents		-	432
Cash and cash equivalents at end of year	16	38,538	63,025

The only significant non-cash transaction relates to US\$9.75m dividend income from PME Locomotives (Mauritius) Limited which was transferred directly to other subsidiaries to fund working capital requirements and therefore increased the loans due from the recipient subsidiaries (see note 15).

Notes to the Financial Statements

1 General Information

PME African Infrastructure Opportunities plc (the "Company") was incorporated and is registered and domiciled in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 19 June 2007 as a public limited company with registered number 120060C. The investment objective of PME African Infrastructure Opportunities plc and its subsidiaries (the "Group") is to achieve significant total return to investors through investing in various infrastructure projects and related opportunities across a range of countries in sub-Saharan Africa.

The Company's investment activities are managed by PME Infrastructure Managers Limited (the "Manager"). The Company's administration is delegated to Galileo Fund Services Limited (the "Administrator"). The registered office of the Company is Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB.

Pursuant to a prospectus dated 6 July 2007, there was an original placing of up to 180,450,000 Ordinary Shares with Warrants attached on the basis of 1 Warrant for every 5 Ordinary Shares. Following the close of the placing on 12 July 2007, 180,450,000 Shares and 36,090,000 Warrants were issued.

The Shares of the Company were admitted to trading on the AIM, a market of the London Stock Exchange, on 12 July 2007 when dealings also commenced.

In the year ended 31 December 2010 the Company bought back 7,905,000 Ordinary Shares for total consideration of US\$5,119,300. Of these 7,530,000 shares have been repurchased and held in treasury with the remainder being cancelled upon acquisition.

Financial Year End

The financial year end for the Company is 31 December in each year.

Company Profit

In accordance with the provisions of Section 3 of the Isle of Man Companies Act 1982, no separate income statement has been presented for the Company. The amount of the Company's profit for the year recognised in the Consolidated Income Statement is US\$10,681,465 (31 December 2009: loss US\$4,635,413).

Dividends

In the year to 31 December 2010 the Company declared and paid dividends of US\$18,307,619 (2009: US\$nil).

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, and the requirements of the Isle of Man Companies Acts 1931 to 2004. The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Company and Group's accounting policies.

a) *New and amended standards adopted by the Group*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', are effective prospectively to business

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. The impact of the change in the standard did not have a significant impact on the Group.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the equity is re-measured to fair value, and a gain or loss is recognised in profit or loss. Total comprehensive income is attributable to the controlling and non-controlling interests even if this results in the non-controlling interest having a deficit balance. This revision has been applied prospectively and no restatement is required for reporting periods prior to 1 January 2010. The impact of the change in the standard can be noted on the Consolidated Balance Sheet where minority interest have been recognised.
- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

b) *Standards, amendments and interpretations to existing standards relevant to the Group, that are not yet effective and have not been early adopted by the Group.*

IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Group is yet to assess IFRS 9's full impact.

Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the Company will need to disclose any transactions between its subsidiaries and its associates.

IFRS 7 (amendment), 'Financial instruments', effective 1 January 2011. Emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. It is not expected to have any impact on the Group or the parent entity's financial statements.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

IAS 1, 'Presentation of financial statements', effective 1 January 2011. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27, 'Consolidated and separate financial statements', applicable to annual periods beginning on or after 1 July 2010. Clarifies that the consequential amendments from IAS 27 made to IAS 21, 'The effect of changes in foreign exchange rates', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', apply prospectively for annual periods beginning on or after 1 July 2010, or earlier when IAS 27 is applied earlier. It is not expected to have any impact on the Group or the parent entity's financial statements.

2.2 Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Estimated impairment of Goodwill, Telecommunication Licences and Property, Plant and Equipment.

The Group tests semi-annually whether goodwill, telecommunications licenses and property, plant and equipment held by Group companies have suffered any impairment in accordance with the accounting policies stated in notes 2.7 and 2.9. In assessing whether there are any indicators of impairment, the Group determines the recoverable amount of each cash-generating unit ('CGU') based on valuation methods and techniques generally recognised as standard within the industry. The models are adjusted based on the current performance of each CGU compared to its business plan and projected results.

In addition, the Group has engaged a specialist department of one of the major international accountancy firms to conduct a semi-annual valuation of the Group's portfolio of investments in accordance with International Private Equity and Venture Capital Guidelines dated September 2009 (IPEVC guidelines).

Investment in and loan to Associate

The Group tests semi-annually whether the investment and loan to its associate has suffered any impairment. In assessing this, the Group determines the recoverable amount of the CGU determined based on discounted cash flows. The Group also takes into account the associates' (see note 9) progress compared to its business plan. At 31 December 2010 the Group has recognised an impairment of US\$579,000 with respect to its investment in associate.

In addition, the Group has engaged a specialist department of one of the major international accountancy firms to conduct a semi-annual valuation of the associate in accordance with IPEVC guidelines.

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in US Dollars, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

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

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.3 Foreign currency translation (continued)

(c) *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentational currency are translated into the presentational currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates; and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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

2.4 Revenue and expense recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The main categories of revenue and the bases of recognition are:

- (i) Sales of goods are recognised in the period in which the Group delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured;
- (ii) 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.

Interest income is recognised in the financial statements on a time-proportionate basis using the effective interest method.

Interest expense for borrowings is recognised in the financial statements using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the year.

Expenses are accounted for on an accruals basis.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.5 Basis of consolidation

Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists where the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred at the date of exchange, acquisition related costs are expensed as they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interests' proportionate share of the acquiree's net assets. The excess of the cost of acquisition, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Transactions with non-controlling interests

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised IAS27 "consolidated and separate financial statements" became effective. From 1 July 2010 non-controlling interests participate in their share of any loss, this is not retrospective and can result in such interests being in a deficit position.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

The Group previously applied a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Up to 31 December 2009, disposals resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal a proportionate interest in revenue attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings. The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence no adjustments were necessary to any of the amounts previously recognised in the financial statements.

Transactions eliminated on consolidation

Intra-group balances, transactions and any unrealised gains arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Associates

Associates are those entities in which the Group has a significant influence, but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. The consolidated income statement includes the Group's share of its associates' profits or losses, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investment) is reduced to US\$nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.5 Basis of consolidation (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains or losses arising in investments in associates are recognised in the income statement.

2.6 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined that its chief operating decision makers are the Board and the investment manager of the Company.

2.7 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Telecommunication licences

Licence fees paid to governments, which permit telecommunication activities to be operated for defined periods, are initially recorded at cost and amortised from the time the network is available for use to the end of the licence period.

Computer software licences

Computer software licences are capitalised on the basis of the cost incurred to acquire and bring the specific software into use. The cost is amortised over the useful life of the software of three to five years.

2.8 Financial assets and financial liabilities

The Group classifies its financial assets in the following categories: 'at fair value through profit or loss', and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. At 31 December 2010 and 2009 the Group did not have any financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'loan due from associate', 'finance lease receivables', 'trade and other receivables, excluding prepayments' and 'cash at bank' in the balance sheet (notes 9.2, 12, 15 and 16).

The Group classifies its financial liabilities in the following categories: at fair value through profit or loss and other liabilities. At 31 December 2010 and 2009 the Group did not have any financial liabilities at fair value through profit or loss. Other liabilities are loans and trade creditors which are included in 'trade and other payables' in the balance sheet (note 19).

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Property, plant and equipment

All categories of property, plant and equipment are initially recorded at historical cost. Subsequently, the assets are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they occurred.

Depreciation is calculated on the straight-line basis to allocate their costs to their residual values over their estimated useful lives as follows:

Properties	25 years
Locomotives	15 years
Network infrastructure and equipment	3 to 15 years
Other	3 to 6 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Capital work in progress

Property, plant and equipment under construction is stated at initial cost and depreciated from the date the asset is placed in use over its useful life. The cost of self-constructed assets includes expenditure on materials and direct labour. Assets are transferred from capital work in progress to an appropriate category of property, plant and equipment when commissioned and ready for the intended use.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains or losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

2.11 Finance lease receivables

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2.12 Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis, and includes expenditure incurred in acquiring the inventories, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of realisation.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.13 Loans and receivables

Loans and 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 is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

2.14 Trade and other receivables

Trade and other receivables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash deposited with banks held with original maturities of less than three months.

2.16 Investments in subsidiaries

Investments in subsidiaries are accounted for in the Company balance sheet at cost less impairment. Cost also includes directly attributable costs of investments.

2.17 Trade and other payables

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

2.18 Taxation

The Company is resident for taxation purposes in the Isle of Man and is subject to income tax at a rate of zero per cent. The Group is liable to tax on the activities of its subsidiaries and associates in accordance with the applicable tax laws in the countries in which they are incorporated.

The tax expense represents the sum of the tax currently payable, which is based on taxable profits for the year. The Group's liability is calculated using the tax rates applicable at the balance sheet date.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.19 Retirement benefit obligations

The Group's subsidiaries, Dovetel Tanzania Limited and TMP Uganda Limited, contribute to the National Social Security Fund, 'Fund' in Tanzania and Uganda respectively. This is a defined contribution plan. A defined contribution plan is a pension plan under which the Group's subsidiaries pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.19 Retirement benefit obligations (continued)

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 contributions by the Group's subsidiaries are recognised as an employee benefit expense when they are due.

2.20 Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Where any group company purchases the company's equity share capital (treasury shares), the consolidation paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.21 Dividends

Dividends are recognised as a liability in the year in which they are declared and approved.

3 Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: loans and receivables, cash and cash equivalents and trade and other payables. The accounting policies with respect to these financial instruments are described in Note 2. Risk management is carried out by the Investment Manager under policies approved by the Board of Directors.

Market price risk

The Group's strategy on the management of market risk is driven by the Group's investment objective. The objective of the Group is to achieve significant total return to investors through investing in various infrastructure projects and related opportunities across a range of countries in sub-Saharan Africa. The Group's market risk is monitored by the Investment Manager on a day to day basis and by the Directors at Board meetings. The Group's financial instruments have no associated market price risk.

Foreign exchange risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. The Group's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than US Dollars. As a result, the Group is subject to the effects of exchange rate fluctuations with respect to these currencies. The currencies giving rise to this risk are South African Rand, Tanzanian Shilling, Pound Sterling and Ugandan Shilling.

The Group's policy is not to enter into any currency hedging transactions.

The table below summarises the Group's exposure to foreign currency risk:

31 December 2010	Monetary Assets US\$'000	Monetary Liabilities US\$'000	Total US\$'000
South African Rand	60	(28)	32
Tanzanian Shilling	4,451	(9,430)	(4,979)
Pound Sterling	-	(404)	(404)
Ugandan Shilling	4,278	(5,396)	(1,118)
	8,789	(15,258)	(6,469)

Notes to the Financial Statements (continued)

3 Risk Management (continued)

Foreign exchange risk (continued)

31 December 2009	Monetary Assets US\$'000	Monetary Liabilities US\$'000	Total US\$'000
South African Rand	705	(13)	692
Tanzanian Shilling	2,057	(8,601)	(6,544)
Pound Sterling	4	(230)	(226)
Ugandan Shilling	1,305	(3,649)	(2,344)
	4,071	(12,493)	(8,422)

The Investment Manager and the Board of Directors monitor and review the Group's currency position on a continuous basis and act accordingly.

At 31 December 2010, had the US Dollar strengthened by 1.50% (2009: 1.50%) in relation to South African Rand, Tanzanian Shilling, Pound Sterling and Uganda Shilling, with all other variables held constant, the shareholders' equity would have decreased by the amounts shown below:

	2010 US\$'000	2009 US\$'000
South African Rand	(152)	(147)
Tanzanian Shilling	(105)	(163)
Pound Sterling	(5)	(3)
Ugandan Shilling	(36)	(38)
Effect on net assets	(298)	(351)

The direct and indirect subsidiaries do not have US Dollar as their functional currency and therefore on the Group level any effects of changes in foreign exchange rates will be included in the foreign currency translation reserve on consolidation.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost.

At the reporting date, the Group's financial assets exposed to credit risk amounted to the following:

	31 December 2010 US\$'000	31 December 2009 US\$'000
Loan and receivables due from associate	9,189	6,419
Finance lease receivables	30,772	32,354
Trade and other receivables	299	693
Cash at bank	44,883	84,590
	85,143	124,056

The Group manages its credit risk by monitoring the creditworthiness of counterparties regularly. Cash transactions and balances are limited to high-credit-quality financial institutions (at least an Aa2 credit rating). Loan due from associate and finance lease receivables relate to the investment in Sheltam Holdings and the Investment Manager and the Board of Directors do not expect any losses from non-performance by this counterparty. A balance of US\$26,000 (2009: US\$296,000) included within trade and other receivables relates to trade debtors (net of provisions) all of which are less than 12 months old and are

Notes to the Financial Statements (continued)

3 Risk Management (continued)

Credit risk (continued)

not considered past due and impaired (see note 15). The Investment Manager and the Board of Directors do not expect any losses in respect of the other balances included within trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. The Group currently manages its liquidity risk by maintaining sufficient cash (maturing on a weekly and monthly basis). The Group's liquidity position is monitored by the Investment Manager and the Board of Directors.

The residual undiscounted contractual maturities of financial liabilities are as follows:

31 December 2010	Less than 1 month US\$'000	1-3 months US\$'000	3 months to 1 year US\$'000	1-5 years US\$'000	Over 5 years US\$'000	No stated maturity US\$'000
Financial liabilities						
Trade and other payables	5	35	13,175	-	-	-
Long term liabilities	-	-	-	2,297	-	-
	5	35	13,175	2,297	-	-

31 December 2009	Less than 1 month US\$'000	1-3 months US\$'000	3 months to 1 year US\$'000	1-5 years US\$'000	Over 5 years US\$'000	No stated maturity US\$'000
Financial liabilities						
Trade and other payables	2,842	-	2,691	-	-	-
Long term liabilities	-	-	-	7,997	-	-
	2,842	-	2,691	7,997	-	-

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk from the cash held in interest bearing accounts at floating rates or short term deposits of one month or less. The Company's Investment Manager and Board of Directors monitor and review the interest rate fluctuations on a continuous basis and act accordingly.

During the year ended 31 December 2010 should interest rates have decreased by 10 basis points, with all other variables held constant, the shareholders' equity and the result for the year would have been US\$49,000 (2009: 25 basis points US\$81,000) lower.

Capital Risk Management

The Group's primary objective when managing its capital base is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Consistent with others in the industry, the Group has the ability to leverage its capital structure through the use of commercial borrowing and will endeavour to secure such finance for individual portfolio investments on a non-recourse basis where practicable.

Any commercial borrowings on the Group's portfolio, at the date on which any such borrowing is incurred, should not exceed a debt: equity ratio in the region of 70:30 although the Directors may from time to time review this ratio in the light of changing market circumstances and the particular investments being made by the Group in order to maintain the optimum level of gearing.

Notes to the Financial Statements (continued)

3 Risk Management (continued)

Capital Risk Management (continued)

The Group evaluates levels of capital available and future capital requirements to determine where returns of capital (by way of share buy-backs) are appropriate.

Group capital comprises share capital and reserves.

No changes were made in respect of the objectives, policies or processes in respect of capital management during the years ended 31 December 2009 and 2010.

4 Operating Segments

The chief operating decision-makers have been identified as the Board and the Investment Manager. The Board and the Investment Manager review the Group's internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports. The Board and the Investment Manager consider the business on a project by project basis by type of business. The type of business is either telecommunications (wireless and broadband services) or transport (railway).

Year ended 31 December 2010	Telecommunications			Transport		Other*	Total
	Dovetel	Econet	TMP	Sheltam	PME		
	US\$'000	US\$'000	Uganda US\$'000	US\$'000	Locos US\$'000		
Revenue	2,817	-	787	-	-	-	3,604
Finance income	-	-	-	714	4,245	82	5,041
Depreciation and amortisation	(2,423)	-	(440)	-	(17)	-	(2,880)
Share of loss of associate	-	-	-	(1,327)	-	-	(1,327)
Impairment	-	-	-	(579)	-	-	(579)
Segment results	(2,887)	(4,856)	(8,404)	(999)	(5,683)	10,615	(12,214)
Additions to non-current assets (other than financial instruments)	(1,649)	-	(236)	-	-	(2,580)	(4,465)
Investment in associate	-	-	-	1,227	-	-	1,227
Segment assets	17,119	37	8,084	10,303	31,125	41,344	108,012
Segment liabilities	(9,431)	(2)	(5,396)	(28)	(140)	(515)	(15,512)

* Other refers to income and expenses of the Group not specific to any specific sector such as fees of the Investment Manager and income on un-invested funds. Other assets comprise cash and cash equivalents US\$38,538,488 (note 16) and other assets US\$2,805,129.

Year ended 31 December 2009	Telecommunications			Transport		Other**	Total
	Dovetel	Econet	TMP	Sheltam	PME		
	US\$'000	US\$'000	Uganda US\$'000	US\$'000	Locos US\$'000		
Revenue	1,438	-	715	-	-	-	2,153
Finance income	-	4,254	-	518	3,798	54	8,624
Depreciation and amortisation	(1,308)	-	(443)	-	(468)	-	(2,219)
Share of loss of associate	-	-	-	(667)	-	-	(667)
Segment results	(9,482)	4,013	(7,956)	(240)	4,871	(4,635)	(13,429)
Additions to non-current assets (other than financial instruments)	(10,144)	-	(1,749)	-	-	-	(11,893)
Investment in associate	-	-	-	2,990	-	-	2,990
Segment assets	20,751	15,081	8,092	10,031	36,702	63,444	154,101
Segment liabilities	(8,610)	(10)	(3,658)	(12)	(35)	(1,205)	(13,530)

Notes to the Financial Statements (continued)

4 Operating Segments (continued)

**Other refers to income and expenses of the Group not specific to any specific sector such as fees of the Investment Manager and income on un-invested funds. Other assets comprise; cash and cash equivalents US\$63,025,210 (note 16) and other assets US\$418,746

The Company is incorporated in the Isle of Man. All of the reported revenue, US\$3,603,630 (2009: US\$2,153,260), is from external customers from other countries. The split of revenue by country is above, Dovetel representing Tanzania and TMP Uganda representing Uganda.

The total of non-current assets other than financial instruments and deferred tax assets is US\$19,489,342 (2009: US\$22,465,368) and all of these are located in other countries outside of the Isle of Man. These are split between three countries as follows:

	31 December 2010 US\$'000	31 December 2009 US\$'000
Mauritius	1,273	3,054
Tanzania	14,645	14,469
Uganda	3,571	4,942
	19,489	22,465

5 Investment Managers Fees

Annual fees

The Investment Manager receives a management fee of 1.25% per annum of the gross asset value of the Group from Admission, payable quarterly in advance and subject to a cap of 3% per annum of the net asset value of the Group.

The Investment Manager is entitled to recharge to the Group all and any costs and disbursements reasonably incurred by it in the performance of its duties including costs of travel save to the extent that such costs are staff costs or other internal costs of the Investment Manager. Accordingly, the Group is responsible for paying all the fees and expenses of all valuers, surveyors, legal advisers and other external advisers to the Group in connection with any investments made on its behalf. All amounts payable to the Investment Manager by the Group are paid together with any value added tax, if applicable.

Annual fees payable to the Investment Manager for the year ended 31 December 2010 amounted to US\$1,687,937 (31 December 2009: US\$2,040,723).

Performance fees

The Investment Manager is entitled to a performance fee of 20% of the net income and capital cash returns to the Company or any subsidiary in respect of the sale or partial sale, refinancing or restructuring of an investment in an infrastructure project ("relevant investment") provided that the "Project test" has been passed. For these purposes, the Project test will be passed if the Company or any subsidiary has received in cash the return of all its cash invested in a relevant investment and a return equivalent to an internal rate of return of 12% on such cash.

80% of the performance fee calculated will be payable to the Investment Manager within 30 days of the receipt of the relevant returns by the Company. The balance will be paid at the same time into an escrow account invested in money market deposits.

At the end of each financial year the Total Return will be calculated and the total performance fee will be calculated as 20% of the Total Return multiplied by the weighted average number of Ordinary Shares in issue during the year. This is provided that the Total Return exceeds the NAV test, being the proceeds of the Placing Shares increased at a rate of 12% per annum on an annual compound basis from the date of Admission to the Relevant End Date. Total Return is the difference between the net asset value per Ordinary Share as at the last business day of the relevant financial year and the net proceeds of the Placing Shares divided by the number of Placing Shares.

Performance fees payable for the year ended 31 December 2010 amounted to US\$nil (31 December 2009: US\$974,403).

Notes to the Financial Statements (continued)

6 Operating and Administration Expenses

	Year ended 31 December 2010 US\$'000	Year ended 31 December 2009 US\$'000
Administration expenses	299	567
Administrator and Registrar fees (note 21)	161	178
Amortisation of intangible assets	180	173
Audit fees - current year	236	274
Audit fees - prior years	19	217
Non-audit fees	124	25
Bad debt provision (note 15)	-	477
Bad debts written off	543	-
Custodian fees (note 21)	19	20
Depreciation	2,700	2,046
Directors' fees	388	254
Employee costs	5,940	3,066
Retirement benefits	308	316
Management fees – Silex (note 21)	173	231
Management fees – TMP (note 21)	1,969	2,026
Management fees – other	15	416
Marketing costs	1,576	2,778
Network and direct costs	6,159	4,238
Professional fees	1,597	1,966
Property and utilities	539	817
Travel	567	838
Other	2,895	1,333
Operating and administration expenses	26,407	22,256

Administrator and Registrar fees

The Administrator receives a fee of 10 basis points per annum of the net assets of the Company between £0 and £50 million; 8.5 basis points per annum of the net assets of the Company between £50 and £100 million and 7 basis points per annum of the net assets of the Company in excess of £100 million, subject to a minimum monthly fee of £4,000 and a maximum monthly fee of £12,500 payable quarterly in arrears.

Administration fees payable by the Company for the year ended 31 December 2010 amounted to US\$145,516 (31 December 2009: US\$165,923).

The Administrator provides general secretarial services to the Company, for which it receives a minimum annual fee of £5,000. Additional fees, based on time and charges, will apply where the number of Board meetings exceeds four per annum. For attendance at meetings not held in the Isle of Man, an attendance fee of £750 per day or part thereof will be charged. The fees payable by the Company for general secretarial services for the year ended 31 December 2010 amounted to US\$15,838 (31 December 2009: US\$12,183).

From 26 October 2010 the Administrator has been appointed to oversee the administration of the Mauritian subsidiaries. The minimum annual fee for each of these companies is £5,000 per annum.

Notes to the Financial Statements (continued)

6 Operating and Administration Expenses (continued)

Custodian fees

The Custodian receives a fixed monthly fee of £875 payable quarterly in arrears. The fee payable for the year ended 31 December 2010 amounted to US\$18,736 (31 December 2009: US\$19,663).

Directors' Remuneration

The maximum amount of basic remuneration payable to the Directors permitted under the Articles of Association is £200,000 per annum. The Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. The non-executive (excluding the Chairman) Directors are entitled to receive an annual fee of £30,000 each and the Chairman £35,000.

The Directors' fees and expenses payable by the Company for the year ended 31 December 2010 amounted to US\$387,711 (31 December 2009: US\$254,300) and Directors' insurance cover payable amounted to US\$117,899 (31 December 2009: US\$51,658). Directors' fees for the year include £75,000 payable to the Chairman in respect of identified sale transactions of which half is payable on a "success only" basis.

7 Income tax expense

Group	Year ended 31 December 2010 US\$'000	Year ended 31 December 2009 US\$'000
Current tax	152	38
Tax expense	152	38

The tax on the Group's loss before tax is higher than the standard rate of income tax in the Isle of Man of zero %. The differences are explained below:

Group	Year ended 31 December 2010 US\$'000	Year ended 31 December 2009 US\$'000
Loss before tax	(21,095)	(13,430)
Tax calculated at domestic tax rates applicable in the Isle of Man (0%)	-	-
Effect of higher tax rates in Mauritius (15%)	152	38
Tax expense	152	38

There are losses carried forward in the underlying subsidiaries of approximately US\$70.6m (31 December 2009: US\$36.7m). There is no expiry date for the carrying forward of these losses. For prudence, tax losses are not carried as deferred tax assets in the consolidated balance sheet until the realisation of the related tax benefit through future taxable profits is probable.

8 Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

	Year ended 31 December 2010	Year ended 31 December 2009
Loss attributable to equity holders of the Company (US\$'000)	(12,214)	(13,429)
Weighted average number of Ordinary Shares in issue (thousands)	146,748	158,398
Basic loss per share (cents)	(8.32)	(8.48)

There is no difference between basic and diluted Ordinary Shares in issue as the Warrants are not dilutive in 2010 or 2009.

Notes to the Financial Statements (continued)

9 Investments in Subsidiaries and Associate

9.1 Investments in Subsidiaries

The direct and indirect subsidiaries held by the Company are as follows:

2010	Country of incorporation	Percentage of shares held
PME Burco (Mauritius) Limited	Mauritius	100%
PME Locomotives (Mauritius) Limited	Mauritius	100%
PME RSACO (Mauritius) Limited	Mauritius	100%
PME Tanco (Mauritius) Limited	Mauritius	100%
PME TZ Property (Mauritius) Limited	Mauritius	100%
PME Uganco (Mauritius) Limited	Mauritius	100%
Dovetel Tanzania Limited	Tanzania	65%
PME Properties Limited	Tanzania	100%
TMP Uganda Limited	Uganda	96.8%

The Company invested in its direct subsidiaries as follows:

	31 December 2010 US\$'000	31 December 2009 US\$'000
Start of the year	90,905	67,029
Increase in investment	11,510	23,876
Return of capital	(10,050)	-
End of the year	92,365	90,905

During the year the Company increased its investment in PME Tanco (Mauritius) Limited by US\$4.8m, PME Uganco (Mauritius) Limited by US\$3.9m, PME RSACO (Mauritius) Limited by US\$0.2m and PME TZ Property (Mauritius) Limited by US\$2.6m respectively. In May 2010 the Company received a return of capital of US\$10m from PME Burco (Mauritius) Limited.

9.2 Investments in Associate

Group	31 December 2010 US\$'000	31 December 2009 US\$'000
Start of the year	2,990	2,933
Foreign exchange gain	143	724
Impairment	(579)	-
Share of loss of associate	(1,327)	(667)
End of the year	1,227	2,990

The Group's share of the results of its principal associate, which is unlisted, and its share of the aggregate assets (including goodwill) and liabilities, is as follows:

31 December 2010	Percentage of shares held	Assets	Liabilities	Revenues	Loss
Name		US\$'000	US\$'000	US\$'000	US\$'000
Sheltam Holdings	50%	32,472	(30,604)	15,583	(1,327)

31 December 2009	Percentage of shares held	Assets	Liabilities	Revenues	Loss
Name		US\$'000	US\$'000	US\$'000	US\$'000
Sheltam Holdings	50%	30,531	(27,541)	13,295	(667)

Notes to the Financial Statements (continued)

9 Investments in Subsidiaries and Associate (continued)

9.2 Investments in Associate (continued)

The 31 December 2010 recoverable amount of the associate has been determined based on value-in-use calculations. This calculation uses a pre-tax cash flow projection based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below.

The key assumptions used for value-in-use calculations in 2010 are as follows: Growth rate (5%) and a discount rate of 15%.

The 31 December 2009 recoverable amount of the associate has been determined based on a Market approach. This calculation uses earnings multiples from comparable companies to determine its recoverable amount. The key assumptions used for value-in-use calculations in 2009 are as follows: EBITDA multiplier (6) and a discount rate of 25%.

As a result of the valuation performed, the investment in associate was impaired by US\$579,000 in 2010 (2009: US\$ Nil).

The valuation model was changed from a Market approach to a discounted cash flow projection due to there being a longer operating history and more management information.

Loan due from associate

	31 December 2010 US\$'000	31 December 2009 US\$'000
Start of the year	6,335	15,516
Payment/(repayment) of loans to associate	1,117	(15,044)
Interest income (included in finance income)	714	4,537
Exchange differences	937	1,326
Loan due from associate	9,103	6,335

The fair value of this loan approximates its carrying value at 31 December 2010.

The recoverability of the loan due from associate has been evaluated as part of the impairment review performed. The loan due from associate is unsecured, bears interest at the Prime Rate as published by the Reserve Bank of South Africa and has no fixed repayment terms, but is not expected to be receivable within the next twelve months.

10 Intangible assets

Group	Goodwill US\$'000	Telecommunication licences US\$'000	Software licences US\$'000	Total US\$'000
At 1 January 2010	1,843	982	881	3,706
Additions	-	-	-	-
Exchange differences	(428)	(112)	(97)	(637)
At 31 December 2010	1,415	870	784	3,069
Amortisation				
At 1 January 2010	-	(113)	(59)	(172)
Amortisation charge	-	(16)	(164)	(180)
Exchange differences	-	13	14	27
At 31 December 2010	-	(116)	(209)	(325)
Net book value				
At 31 December 2010	1,415	754	575	2,744

Notes to the Financial Statements (continued)

10 Intangible assets (continued)				
Group	Goodwill	Telecommunication licences	Software Licences	Total
Cost	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2009	1,843	974	-	2,817
Additions	-	60	891	951
Exchange differences	-	(52)	(10)	(62)
At 31 December 2009	1,843	982	881	3,706
Amortisation				
At 1 January 2009	-	-	-	-
Amortisation charge	-	(113)	(60)	(173)
Exchange differences	-	-	1	1
At 31 December 2009	-	(113)	(59)	(172)
Net book value				
At 31 December 2009	1,843	869	822	3,534

The 2010 and 2009 recoverable amounts of Dovetel and TMP Uganda's goodwill have been determined based on the cost approach which has been discounted for the initial cash invested, as these entities are still considered to be in start-up phases. The goodwill has been evaluated as part of the impairment review process and no impairment is required.

Amortisation of licences is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives. The useful lives and renewal periods of licences are determined primarily with reference to the unexpired licence period.

11 Property, Plant and Equipment					
Group	Properties	Capital WIP	Network Infrastructure & Equipment	Other	Total
Cost	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2010	-	508	15,602	1,467	17,577
Additions	2,579	356	706	824	4,465
Reclassification of WIP	-	(447)	197	250	-
Disposals	-	-	-	(351)	(351)
Exchange differences	-	(77)	(1,988)	(217)	(2,282)
At 31 December 2010	2,579	340	14,517	1,973	19,409
Accumulated depreciation					
At 1 January 2010	-	-	(1,374)	(262)	(1,636)
Disposals	-	-	-	121	121
Charge for the year	-	-	(2,215)	(485)	(2,700)
Exchange differences	-	-	275	49	324
At 31 December 2010	-	-	(3,314)	(577)	(3,891)
Net Book Value					
At 31 December 2010	2,579	340	11,203	1,396	15,518

There were no impairment charges in 2010.

Notes to the Financial Statements (continued)

11 Group	Property, Plant and Equipment (continued)					Total US\$'000
	Locomotives US\$'000	Capital WIP US\$'000	Network Infrastructure & Equipment US\$'000	Other US\$'000		
Cost						
At 1 January 2009	15,312	3,868	2,732	222	22,134	
Additions	-	(3,202)	12,908	1,236	10,942	
Disposals	(15,312)	-	-	-	(15,312)	
Exchange differences	-	(158)	(38)	9	(187)	
At 31 December 2009	-	508	15,602	1,467	17,577	
Accumulated depreciation						
At 1 January 2009	(319)	-	(10)	(14)	(343)	
Disposals	764	-	-	-	764	
Charge for the year	(445)	-	(1,355)	(246)	(2,046)	
Exchange differences	-	-	(9)	(2)	(11)	
At 31 December 2009	-	-	(1,374)	(262)	(1,636)	
Net Book Value						
At 31 December 2009	-	508	14,228	1,205	15,941	

There were no impairment charges in 2009.

12	Finance lease receivables	
	31 December 2010 US\$'000	31 December 2009 US\$'000
Amounts receivable under finance leases:		
Within one year	6,132	6,132
In the second to fifth years inclusive	24,545	24,545
Beyond five years	19,538	25,670
	50,215	56,347
Less: unearned finance income	(21,027)	(25,249)
Present value of minimum lease payments receivable	29,188	31,098

The present value of the lease payments is receivable as follows:

	31 December 2010 US\$'000	31 December 2009 US\$'000
Within one year	2,297	1,910
After one year	26,891	29,188
	29,188	31,098

The Group has entered into finance leasing arrangements with Sheltam Holdings (Pty) Limited, an associated company, for twelve locomotives (six in December 2008 and another six in June 2009). The average term of finance leases entered into is ten years. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted approximates to 16.30% (2009: 16.30%). The fair value of the Group's finance lease receivables at 31 December 2010 is estimated at US\$29,187,753 (31 December 2009: US\$31,098,000). The lease receivables are secured on the related assets.

Notes to the Financial Statements (continued)

13 Financial assets at fair value through profit or loss

Net change in fair value of financial assets at fair value through profit or loss:

	31 December 2010 US\$'000	31 December 2009 US\$'000
Realised losses	-	(106)
Unrealised gains	-	151
Total gains	-	45

All of the Group's financial assets at fair value through profit or loss were disposed of in 2009.

14 Inventory Group

	31 December 2010 US\$'000	31 December 2009 US\$'000
Network Equipment, Dongles, Routers	808	2,000
Inventory	808	2,000

15 Trade and Other Receivables Group

	31 December 2010 US\$'000	31 December 2009 US\$'000
<i>Non-current</i>		
Lease prepayment	28	3,091
Trade and other receivables	28	3,091
<i>Current</i>		
Amount due from Roy Puffet *	-	264
Receivables due from associate company	86	84
Prepayments	1,263	1,204
VAT recoverable	1,279	1,285
Finance lease income**	1,584	1,256
Trade debtors***	26	296
Sundry debtors	273	133
Trade and other receivables	4,511	4,522

* On 6 January 2010 Roy Puffet, a shareholder in Sheltam Holding (Pty) Limited, settled the amount due to the Group in full.

** Rental payments on up to 5 of the unplaced locomotives were deferred for each of the first 6 months of 2010 (and any outstanding as at 31 December 2009) through a loan note structure that was repaid at the end of September 2010.

*** During the year bad debt provisions of US\$nil (2009: US\$477,000) have been provided against trade receivables (see note 6).

Notes to the Financial Statements (continued)

15 Trade and Other Receivables (continued)		
Company	31 December 2010 US\$'000	31 December 2009 US\$'000
Loans and receivables due from subsidiary companies		
Start of the year	401	260
Payment/(repayment) of loan and receivables	9,593	(199)
Interest income	63	-
Expense recharges	125	340
End of year	10,182	401
<p>For PME Tanco at 31 December 2010, of the total facility of US\$6m, the amount loaned was US\$4,250,552 of which US\$4,228,000 was drawn down and US\$22,552 was accrued interest. For PME Uganco at 31 December 2010, of the total facility of US\$7m, the amount loaned was US\$5,561,929 of which US\$5,522,000 was drawn down and US\$39,929 was accrued interest. Both loan facilities bear interest at the US prime rate, are unsecured and repayable on demand.</p>		
Receivables due from associate company		
Start of the year	84	-
Payment/(repayment) of receivables	-	-
Interest income	-	-
Expense recharges	2	84
End of year	86	84
Prepayments	140	300
Sundry debtors	-	35
Trade and other receivables	140	335

16 Cash at Bank		
Group	31 December 2010 US\$'000	31 December 2009 US\$'000
Bank balances	9,258	22,346
Deposit balances	35,625	62,244
Cash at bank	44,883	84,590

The deposit balances include US\$nil (31 December 2009: US\$244,000) held as security for a letter of credit issued by Standard Chartered Bank. This is the only figure excluded from the above balances for analysing the movements of cash and cash equivalents in the cash flow statement.

Notes to the Financial Statements (continued)

16 Cash at Bank (continued)

Company	31 December 2010 US\$'000	31 December 2009 US\$'000
Bank balances	2,913	1,025
Deposit balances	35,625	62,000
Cash at bank	38,538	63,025

17 Share Capital

Ordinary Shares of US\$0.01 each	31 December 2010 and 2009 Number	31 December 2010 and 2009 US\$'000
Authorised	500,000,000	5,000
C Shares of US\$1 each	31 December 2010 and 2009 Number	31 December 2010 US\$'000
Authorised	5,000,000	5,000
Issued	-	-
Ordinary Shares of US\$0.01 each	31 December 2010 US\$'000	31 December 2009 US\$'000
143,744,752 (31 December 2009: 151,649,752) Ordinary Shares in issue, with full voting rights	1,438	1,516
7,530,000 (31 December 2009: nil) Ordinary Shares held in treasury	75	-
	1,513	1,516

At incorporation the authorised share capital of the Company was US\$10,000,000 divided into 500,000,000 Ordinary Shares of US\$0.01 each and 5,000,000 C Shares of US\$1.00 each. The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The holders of C Shares would be entitled to one vote per share at the meetings of the Company. The C Shares can be converted into Ordinary Shares on the approval of the Directors. On conversion each C share would be sub-divided into 100 C Shares of US\$0.01 each and will be automatically converted into New Ordinary Shares of US\$0.01 each.

On 12 July 2007, the Company raised a gross amount of US\$180,450,000 following the admission of the Company's Ordinary Shares to AIM. The Company placed 180,450,000 Ordinary Shares of US\$0.01 par value, at an issue price of US\$1.00 per share, and 36,090,000 Warrants on a 1 Warrant per 5 Ordinary Shares basis.

A registered holder of a Warrant has the right to subscribe for Ordinary Shares of US\$0.01 each in the Company in cash on 30 April in any of the years 2008 to 2012 for a price of US\$1.21 each (adjusted from US\$1.25 effective from 11.59pm on 23 February 2010, and an additional 1,193,042 Warrants were issued). The subscription price was further adjusted from US\$1.21 to US\$1.00 effective from 11.59pm on 21 September 2010, and an additional 7,829,424 Warrants were issued taking the total number of Warrants in issue to 45,112,466.

During the year the Company bought back 7,905,000 Ordinary Shares with an aggregate nominal value of US\$79,050. Retained earnings have been reduced by US\$5,119,300, being the consideration paid for these shares. 7,530,000 of the Ordinary Shares, with an aggregate nominal value of US\$75,300, are held in treasury and 375,000 of the Ordinary Shares, with an aggregate nominal value of US\$3,750, have been cancelled.

Notes to the Financial Statements (continued)

18 Net Asset Value per Share Group

	As at 31 December 2010	As at 31 December 2009
Net assets attributable to equity holders of the Company (US\$'000)	102,377	140,571
Shares in issue (thousands)	143,745	151,650
NAV per share (US\$)	0.71	0.93

The NAV per share is calculated by dividing the net assets attributable to equity holders of the Company by the number of Ordinary Shares in issue.

19 Trade and Other Payables Group

	31 December 2010 US\$'000	31 December 2009 US\$'000
Performance fee payable	-	974
Administration fees payable	34	27
Audit fee payable	184	194
CREST service provider fee payable	6	2
Custodian fee payable	5	5
Directors' fees payable	177	53
Trade creditors	-	383
Income tax payable	134	16
ZTE loan (see below)	7,131	2,691
Other accrued expenses	2,594	751
Other sundry creditors	2,950	437
	13,215	5,533

Company

	31 December 2010 US\$'000	31 December 2009 US\$'000
Performance fee payable	-	974
Administration fees payable	23	27
Audit fee payable	133	137
CREST service provider fee payable	6	2
Custodian fee payable	5	5
Directors' fees payable	177	53
Other sundry creditors	168	7
	512	1,205

Notes to the Financial Statements (continued)

19 Trade and Other Payables (continued)

ZTE Loans

	Interest rate 31 December 2010	31 December 2010 £'000	31 December 2009 £'000
<i>Current liabilities</i>			
Dovetel Tanzania Limited	-	7,131	2,691
<i>Non-current liabilities</i>			
Dovetel Tanzania Limited	-	-	5,543
TMP Uganda Limited	-	2,297	2,454
Long term liabilities		2,297	7,997

ZTE Corporation of China is the supplier of the core network equipment. The loans are unsecured and currently interest free, (2009: Libor +3%).

The fair value of the above financial liabilities approximates their carrying amounts.

20 Contingent Liabilities and Commitments

The following guarantees are in place as a result of the acquisition of 50% of the Ordinary Share capital of Sheltam Holdings (Pty) Limited:

- (i) Rand Merchant Bank debtors facility in the amount of US\$1.5m (ZAR 10m) of which 50% has been indemnified by Roy Puffet, a shareholder in and a director of Sheltam Holdings (Pty) Limited.
- (ii) FirstRand Bank suretyship in the amount of US\$0.9m (ZAR 6m) in connection with a US\$1.8m (ZAR 12m) working capital facility.
- (iii) Rand Merchant Bank letter of support in the amount of US\$0.8m (ZAR 5.5m) in connection with aircraft finance lease obligations.

Dovetel Tanzania Limited and TMP Uganda Limited have entered into a number of operating lease agreements in respect of properties (including office premises and network base station sites) and vehicles. The lease terms are between one and ten years and the majority of the lease agreements are renewable at the end of the lease period at market rates.

The Groups' future aggregate minimum lease payments under operating leases are as follows:

	31 December 2010 US\$'000	31 December 2009 US\$'000
Amounts payable under operating leases:		
Within one year	280	182
In the second to fifth years inclusive	733	634
Beyond five years	1,874	1,878
	2,887	2,694

The directors do not expect any of these guarantees to result in significant loss to the Group.

21 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions. Key management is made up of the Board of Directors and Investment Manager.

Notes to the Financial Statements (continued)

21 Related Party Transactions (continued)

Group

Management fees of US\$1,969,130 (2009: US\$2,026,000) were paid to TMP Management A.S., outstanding at 31 December 2010, US\$nil (2009: US\$145,000).

Sheltam Holdings (Pty) Limited, an associate, had the following positions/transactions with Group companies:

- The outstanding finance lease liability owing to PME Locomotives (Mauritius) Limited as at 31 December 2010 was US\$29,187,753 (31 December 2009: US\$31,098,211), see note 12.
- Net finance lease interest expense due to PME Locomotives (Mauritius) Limited during the year ended 31 December 2010 amounted to US\$4,221,542 (31 December 2009: US\$3,783,062).
- Finance lease amounts due but not yet paid to PME Locomotives (Mauritius) Limited as at 31 December 2010 amounted to US\$1,583,599 (31 December 2009: US\$1,255,856).
- The loan payable to PME RSACO (Mauritius) Limited is disclosed in note 9.2.

The Directors of the Company are considered to be related parties by virtue of their influence over making operational decisions. Directors' remuneration is disclosed in note 6.

Brian Myerson, previously a director of the Company, is executive chairman of Principle Capital Holdings Limited ("PCH") and was joint chairman of the Investment Manager, PME Infrastructure Managers Limited. PCH indirectly owns 31.67% of the Investment Manager. Fees payable to the Investment Manager are disclosed in note 5.

On 15 July 2010, Brian Myerson resigned from the board of PME. John Webley replaced Mr Myerson in the role of non executive chairman of PME Infrastructure Managers Limited supported by Richard Bouma as executive vice chairman. Brian Smith of Masazane Capital, one of the shareholders in PME Infrastructure Managers Limited, was appointed as chief executive officer in charge of day to day operations. Inwezi Capital (Proprietary) Limited ("Inwezi"), which is the holding company of Masazane Capital was appointed as a consultant to the Company from 15 November 2010. A total of US\$77,419 was payable to Inwezi in respect of the financial year ended 31 December 2010.

Silex Management Limited ("Silex"), an indirect subsidiary of PCH was retained by the Company to oversee the administration of the overseas subsidiaries up to 30 September 2010. A total of US\$173,420 has been invoiced by Silex in respect of the financial year ended 31 December 2010 (31 December 2009: US\$231,253).

Lawrence Kearns, a director of the Company, is non-executive director of the Administrator and was a non-executive director of the Custodian until 31 December 2010. Fees payable to the Administrator are disclosed in Note 6.

Company

Intercompany transactions with subsidiaries and associates are disclosed in note 15.

22 Post Balance Sheet Events

The Company terminated the custodian agreement between the Company and the Custodian with effect from 19 January 2011.

The Company was notified in May 2011 that John Webley had resigned as the Chairman of PME Infrastructure Managers Limited but that his successor had not yet been identified.

Oriel Securities Limited has been appointed as broker of the Company from 14 June 2011.

PME AFRICAN INFRASTRUCTURE OPPORTUNITIES PLC

(Incorporated in the Isle of Man under company number 120060C)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the above named Company will be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, British Isles, on Tuesday 19 July 2011, at 10.00 hours BST, to transact the following business:

ORDINARY BUSINESS

By ordinary resolution

1. To receive and adopt the Report of the Directors, the Auditors' Report and the Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2010.
2. To declare a final dividend, in the amount of USD 0.14 per issued Ordinary share, as recommended by the Directors, with respect to the year ended 31 December 2010.
3. To re-appoint PricewaterhouseCoopers LLC, Isle of Man as Auditors of the Company for the year to 31 December 2011 and that the directors be authorised to determine the remuneration of the Auditors.
4. To re-appoint as a director, Mr Paul Macdonald, who retires in accordance with Article 87 of the Articles of Association and offers himself for re-election.

By Order of the Board
Suzanne Jones
Secretary

Dated: 21 June 2011

Registered Office
Millennium House
46 Athol Street
Douglas
Isle of Man IM1 1JB
British Isles

VOTING INSTRUCTIONS:

- 1 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him/her; a proxy need not be a member of the Company. In the case of joint-holders, if more than one of such joint-holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint-holding will be entitled to vote, whether in person or by proxy.
- 2 A form of proxy accompanies this Notice. Completion and return of the form of proxy will not preclude a member from attending and voting at the Meeting, if he/she so wishes. In the event that a member who has lodged a form of proxy attends the Meeting, his/her form of proxy will be deemed to have been revoked.
- 3 In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, should be deposited at Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, British Isles (Attention: Suzanne Jones on Fax: +44 (0)1624 692 601) by no later than 48 hours before the date appointed for holding the meeting.
- 4 **Please advise if you are attending the meeting in person by contacting Galileo Fund Services Limited, on the telephone number +44 (0)1624 692 600.**

PME AFRICAN INFRASTRUCTURE OPPORTUNITIES PLC

(Incorporated in the Isle of Man – "the Company")

FORM OF PROXY

To be used for the Annual General Meeting of the Company to be held at the offices of Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man IM1 1JB, British Isles, on Tuesday 19 July 2011, at 10.00 BST, to transact the following business:

I/We _____¹

of _____¹ being member(s) of the

Company, hereby appoint the Chairman of the Meeting or ² _____

of _____ or Suzanne Jones of Galileo

Fund Services Limited or failing her, Ian Dungate of Galileo Fund Services Limited as my/our proxy to vote on my/our behalf

at the Annual General Meeting of the Company to be held on Tuesday 19 July 2011 and at any adjournment hereof:

I/We direct my/our proxy to vote in respect of the Resolutions to be proposed at such Annual General Meeting in the following manner ³:-

ORDINARY RESOLUTIONS

- 1 THAT the Report of the Directors, the Auditors' Report and the Audited Consolidated Financial Statements of the Company for the year ended 31 December 2010 be adopted.
- 2 THAT a final dividend, in the amount of USD 0.14 per issued Ordinary share, as recommended by the Directors, be declared with respect to the year ended 31 December 2010.
- 3 THAT PricewaterhouseCoopers LLC, Isle of Man be re-appointed the Auditors of the Company for the year ending 31 December 2011 and that the directors be authorised to determine the remuneration of the Auditors.
- 4 THAT Mr Paul Macdonald be re-appointed as director

	FOR	AGAINST	ABSTAIN
1			
2			
3			
4			

Dated _____ 2011

Signature _____

NOTES:

- 1 Full name(s) and address(es) to be inserted in BLOCK CAPITALS. The name of all joint holders should be stated.
- 2 If you wish to appoint a person other than the Chairman of the Meeting as your proxy please delete the words "the Chairman of the Meeting" and print the name and address of the person you wish to appoint in the space provided.

- 3 Please indicate with a "X" in the appropriate space beside the resolution how you wish your proxy to vote on your behalf on a poll. Except as otherwise instructed, your proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
- 4 This form of proxy must be signed by the member or his attorney duly authorised in writing, or if the appointor is a corporation then the form of proxy must be executed under the hand of an officer of the corporation duly authorised on their behalf.
- 5 A member entitled to attend and vote is entitled to appoint one or more parties to attend and, on a poll, to vote instead of him/her. A proxy need not also be a member. In the case of joint holders, if more than one such joint holder is present, only the person whose name stands first in the Register of Members in respect of the relevant joint holding will be entitled to vote, whether in person or by proxy.
- 6 This form of proxy should be completed and lodged at the Company's registered office c/o Galileo Fund Services Limited, Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB, British Isles, (Fax: +44 (0)1624 692601) by no later than 48 hours before the date appointed for holding the meeting together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority.