

Gapco Kenya Limited

Independent Auditor's Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GAPCO KENYA LIMITED

Report on the financial statements

We have audited the accompanying financial statements of Gapco Kenya Limited, set out on pages 8 to 37, which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as the directors determine are necessary to enable the preparation of 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. 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 about 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 our 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, we considered the internal controls relevant to the company's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. 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 financial statements give a true and fair view of the financial position of the company as at

31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act

Report on other legal requirements

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iii) the company's statement of financial position (balance sheet) and statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Fredrick Okwiri - (P/No 1699).

Certified Public Accountants (Kenya)

Nairobi, Kenya

6th April, 2016

Statement of profit or loss and other comprehensive income for the year ended 31 December, 2015

	Note	2015 Kshs'000	2014 Kshs'000
REVENUE	4	162,308,414	184,983,138
COST OF SALES		(160,765,173)	(183,418,956)
GROSS PROFIT		1,543,241	1,564,182
OTHER OPERATING INCOME	5	471,623	242,029
ADMINISTRATIVE EXPENSES	6	(420,080)	(412,602)
NET FOREIGN EXCHANGE GAINS/(LOSSES)		66,397	(34,867)
OTHER OPERATING EXPENSES	7	(398,967)	(379,135)
OPERATING PROFIT BEFORE FINANCE COSTS		1,262,214	979,607
FINANCE COSTS	8	(33,093)	(20,473)
PROFIT BEFORE TAXATION		1,229,121	959,134
TAXATION CHARGE	9(a)	(385,449)	(319,754)
PROFIT FOR THE YEAR		843,672	639,380
OTHER COMPREHENSIVE INCOME		-	-
Revaluation of property, plant and equipment			0
Income tax effect			0
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		843,672	639,380

Statement of Financial Position as at 31 December, 2015

	Note	2015 Kshs'000	2014 Kshs'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	6,279,540	6,528,358
Current assets			
Inventories	11	10,830,274	13,423,595
Trade and other receivables	12	1,774,660	1,339,938
Cash and cash equivalents	19	231,161	787,955
		12,836,095	15,551,488
Total assets		19,115,635	22,079,846
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	1,459,540	1,459,540
Share premium		502,551	502,551
Revaluation reserve	14	3,002,817	3,082,329
Retained earnings		3,593,434	2,670,250
Total shareholders' funds		8,558,342	7,714,670
Non-current liabilities			
Service pay provision	15	12,177	6,944
Deferred tax liability	16	1,177,862	1,235,794
Unsecured loan	17	-	1,288,819
		1,190,039	2,531,557
Current liabilities			
Trade and other payables	18	9,287,100	11,703,161
Corporate tax payable	9(c)	80,154	130,458
		9,367,254	11,833,619
Total equity and liabilities		19,115,635	22,079,846

The financial statements on pages 8 to 37 were approved and authorised for issue by the board of directors on 30th March, 2016 and were signed on its behalf by:

Director

Director

Statement of changes in equity for the year ended 31 December, 2015

	Notes	Share capital Kshs'000	Share premium Kshs'000	Revaluation reserve Kshs'000	Retained earnings Kshs'000	Total Kshs'000
Year ended 31 December 2014 :						
At start of year		1,459,540	502,551	3,373,895	1,739,304	7,075,290
Transfer of excess depreciation on property, plant and equipment	14	-	-	(109,724)	109,724	-
Deferred tax on transfer of excess depreciation	16	-	-	21,465	(21,465)	-
Revaluation surplus realised on disposal of property, plant and equipment		-	-	(203,307)	203,307	-
Profit for the year		-	-	-	639,380	639,380
At end of year		<u>1,459,540</u>	<u>502,551</u>	<u>3,082,329</u>	<u>2,670,250</u>	<u>7,714,670</u>
Year ended 31 December 2015 :						
At start of year		1,459,540	502,551	3,082,329	2,670,250	7,714,670
Transfer of excess depreciation on property, plant and equipment	14	-	-	(100,978)	100,978	-
Deferred tax on transfer of excess depreciation	16	-	-	21,466	(21,466)	-
Profit for the year		-	-	-	843,672	843,672
At end of year		<u>1,459,540</u>	<u>502,551</u>	<u>3,002,817</u>	<u>3,593,434</u>	<u>8,558,342</u>

Statement of Cash Flows for the year ended 31 December, 2015

	Note	2015 KShs'000	2014 KShs'000
Cash flows from operating activities			
Net cash generated from/ (used in) operations	22	1,214,867	(1,940,136)
Interest paid	8	(33,093)	(20,473)
Interest received	5	82,747	49,095
Corporate tax paid	9(c)	(493,685)	(6,441)
Net cash generated from/(used in) operating activities		<u>770,836</u>	<u>(1,917,955)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(38,811)	(15,135)
Proceeds from disposal of property, plant and equipment		-	251,038
Net cash (used in)/generated from investing activities		<u>(38,811)</u>	<u>235,903</u>
Cash flows from financing activities			
Borrowings (repaid)/received	17	(1,288,819)	1,288,819
Net decrease in cash and cash equivalents		<u>(556,794)</u>	<u>(393,233)</u>
Cash and cash equivalents at 1 January		<u>787,955</u>	<u>1,181,188</u>
Cash and cash equivalents at 31 December	19	<u><u>231,161</u></u>	<u><u>787,955</u></u>

Notes to the Financial Statements for the year ended 31 December, 2015

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

For the Kenyan Companies Act reporting purposes, in these financial statements the statement of financial position is equivalent to the balance sheet and the profit and loss account is included in the statement of profit or loss and other comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC)

(i) *New standards and amendments to published standards effective for the year ended 31 December 2015*

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Application of these standards has not had any impact on the disclosures or the amounts recognised in these financial statements as the Company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2015)

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively.

As the Company does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

As the Company does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the amendments have had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change

Notes to the Financial Statements for the year ended 31 December, 2015

to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Company does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Company's financial statements.

IFRIC 21 Levies

IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

(ii) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015*

<i>New and Amendments to standards</i>	<i>Effective for annual periods beginning on or after</i>
IFRS 9	1 January 2018
IFRS 15	1 January 2018
Amendments to IFRS 11	1 January 2016
Amendments to IAS 16 and IAS 38	1 January 2016

(iii) *Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2015 and future annual periods*

IFRS 9 Financial Instruments

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Company anticipate that the application of IFRS 9 in the future will not have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities.

IFRS 15 Revenue from Contracts with Customers

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

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

Notes to the Financial Statements for the year ended 31 December, 2015

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors do not expect the adoption of IFRS 15 to have an impact of the Company’s financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Company uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors do not expect the adoption of this amendment to have an impact of the Company’s financial statements.

iv) Early adoption of standards

The Company did not early adopt new or amended standards in 2015.

Basis of preparation

The company prepares its financial statements under the historical cost basis of accounting modified to include the revaluation of certain items of property, plant and equipment.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and/or performance of services, in the ordinary course of business and is stated net of Value Added Tax (VAT), rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for the company’s activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

The company bases its estimates on historical results, taking into consideration the type of customer, type of transaction and specifics of each arrangement.

- i) Sales of goods are recognised upon delivery of products and customer acceptance.
- ii) Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in equity, in which case, the tax is also recognised in equity.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings (the functional currency), at rates ruling at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that

Notes to the Financial Statements for the year ended 31 December, 2015

are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

Property, plant and equipment

All property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Land and buildings, storage tanks and plant and machinery are subsequently shown at market value, based on periodic, but at least triennial valuations by external independent valuers, less subsequent depreciation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Freehold land is not depreciated.

Depreciation on all other assets is calculated on the straight line basis method to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Prepaid operating lease rentals	2
Buildings	4
Storage tanks	4
Plant and machinery	10
Motor vehicles	20
Furniture, fittings and equipment	15
Computers, faxes and copiers	16.7

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on direct purchase value and all costs attributable to bring the inventory to its current location and condition and is stated on a Weighted Average Basis. Net realisable value is the estimate of the selling price in the ordinary course of business, less the selling expense.

Cash and cash equivalents

Cash and bank balances comprise cash at bank and cash in hand and short term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and at bank as defined above.

Notes to the Financial Statements for the year ended 31 December, 2015

Financial instrument

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets/liabilities at initial recognition.

Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in profit or loss.

The company's financial assets fall into the following categories:

Loans and receivables: financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months from the date of this report. All assets with maturities greater than 12 months after the date of this report are classified as non-current assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Changes in the carrying amount are recognised in profit or loss.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due as per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The company's financial liabilities which include borrowings and trade and other payables fall into the following category:

Other financial liabilities: These include borrowings, trade and other payables and current tax. These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the date of this report.

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Accounting for leases

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

Share capital

Ordinary shares are classified as equity.

Notes to the Financial Statements for the year ended 31 December, 2015

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

Employee entitlements

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

Retirement benefit obligations

Employee entitlements to service pay are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the date of this report.

The company and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the entity's accounting policies, the directors have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of judgment in applying the Company's accounting policies are dealt with below:

Critical accounting judgments in applying accounting policies

Property, plant and equipment

Critical estimates are made by the Company management, in determining depreciation rates for property, plant and equipment.

Dismantling cost of property, plant and equipment

In accordance with IAS 16, cost of a property, plant and equipment shall include initial estimate of the costs of dismantling and removing the item and restoring the site. Management have considered the requirements and determined that dismantling and removing the item and restoring the site in the future is not probable and estimate of costs is not significant.

Impairment losses

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Leasehold land

Critical judgement is made by the directors in determining classification of leasehold land either as prepaid operating lease rentals or as finance leases if substantially all the risks and rewards incidental to ownership are transferred to the company. The directors consider that some of the titles to leasehold land held by the company constitute finance leases and that those properties should be classified as either property, plant and equipment in the case of owner occupied property, or investment properties in the case of non-owner-occupied properties.

Key sources of estimation uncertainty

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

Notes to the Financial Statements for the year ended 31 December, 2015

Useful lives of property, plant and equipment

The company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Useful lives are affected by technology innovations, maintenance programmes and future productivity. Future market conditions determine the residual values.

	2015 Kshs '000	2014 Kshs '000
3 PROFIT BEFORE TAXATION		
The profit before tax is arrived at after charging and (crediting):-		
Auditors' remuneration	3,880	3,436
Bad debts	(26)	2,134
Depreciation on property, plant and equipment	287,629	292,950
Directors emoluments	18,245	11,274
Gain on disposal of property, plant and equipment	-	(7,731)
Interest expense	33,093	20,473
Interest income	(82,747)	(49,095)
	<u>162,308,414</u>	<u>184,983,138</u>
4 REVENUE		
Sale of petroleum products	162,308,414	184,983,138
	<u>162,308,414</u>	<u>184,983,138</u>
5 OTHER OPERATING INCOME		
Bad debts recovered	-	1,156
Interest income	82,747	49,095
Gain on disposal of property, plant and equipment	-	7,731
Hospitality income	214,805	174,278
Miscellaneous income	174,071	9,769
	<u>471,623</u>	<u>242,029</u>
6 ADMINISTRATIVE EXPENSES		
Employment:-		
Salaries and wages	161,738	147,546
Staff medical and welfare	579	1,678
Other staff costs	18,453	18,856
Total employment costs	<u>180,770</u>	<u>168,080</u>
Other administrative expenses:-		
Miscellaneous expenses	90,027	91,482
Legal and professional fees	72,199	80,278
Travelling and entertainment	25,462	28,992
Directors' remuneration	18,245	11,274
Postage and telephone	11,354	8,781
Advertising and sales promotion	5,260	6,555
Bank charges	5,144	3,645
Subscriptions	5,005	6,131
Audit fees	3,880	3,436
Printing and stationery	2,610	1,656
Donations and fines	150	60
Bad debts (recoveries)/expenses - net	(26)	2,134
Vehicle running expenses	-	98
Total other administrative expenses	<u>239,310</u>	<u>244,522</u>
Total administrative expenses	<u>420,080</u>	<u>412,602</u>

Notes to the Financial Statements for the year ended 31 December, 2015

	2015 Kshs '000	2014 Kshs '000
7 OTHER OPERATING EXPENSES		
Depreciation on property, plant and equipment	287,629	292,950
Insurance	42,915	39,187
Rent and rates	31,452	20,267
Repairs and maintenance	17,042	9,838
Electricity and water	9,062	7,924
Security expenses	7,111	6,998
Licenses	3,756	1,971
Total other operating expenses	<u>398,967</u>	<u>379,135</u>
8 FINANCE COSTS		
Interest expenses	<u>33,093</u>	<u>20,473</u>
9 TAXATION		
(a) Taxation charge		
Current tax charge	445,746	327,524
(Over)/under provision in prior periods	(2,365)	11,419
Deferred tax credit (note 16)	(57,932)	(19,189)
Taxation charge	<u>385,449</u>	<u>319,754</u>
(b) Reconciliation of tax charge to tax based on accounting profit		
Accounting profit before tax	1,229,121	959,134
Tax calculated at the rate of 30%	368,736	287,740
Tax effect of:		
- (Over)/under provision in prior periods	(2,365)	11,419
- Expenses not deductible for tax purposes	19,078	23,981
- Non-taxable income	-	(3,386)
Taxation charge	<u>385,449</u>	<u>319,754</u>
(c) Corporate tax payable		
At the beginning of the year – (payable)/recoverable	(130,458)	202,044
Charge for the year	(445,746)	(327,524)
Over/(under) provision in prior years	2,365	(11,419)
Paid during the year	493,685	6,441
At the end of the year – payable	<u>(80,154)</u>	<u>(130,458)</u>

Notes to the Financial Statements for the year ended 31 December, 2015

10 PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2015	Freehold land and building Kshs'000	Leasehold land Kshs'000	Storage tanks Kshs'000	Plant and machinery Kshs'000	Furniture, fittings and equipment Kshs'000	Computer faxes and copiers Kshs'000	Capital work-in - progress Kshs'000	Total Kshs'000
Cost or valuation								
At start of year	261,080	878,050	5,437,323	204,771	35,292	15,949	4,211	6,836,676
Additions	-	-	-	6,779	1,957	672	29,403	38,811
Transfer from capital work-in-progress	-	-	-	-	11,195	-	(11,195)	-
At end of year	261,080	878,050	5,437,323	211,550	48,444	16,621	22,419	6,875,487
Comprising:Cost	12,069	57,979	49,420	13,929	48,444	16,621	22,419	220,881
Valuation - 2013	249,011	820,071	5,387,903	197,621	-	-	-	6,654,606
	261,080	878,050	5,437,323	211,550	48,444	16,621	22,419	6,875,487
Depreciation								
At start of year	3,783	35,122	214,790	26,316	15,414	12,893	-	308,318
Charge for the year	6,583	35,122	216,488	25,005	3,377	1,054	-	287,629
Transfer*	-	-	2,164	(1,597)	1,469	(2,036)	-	-
At end of year	10,366	70,244	433,442	49,724	20,260	11,911	-	595,947
Net book value	250,714	807,806	5,003,881	161,826	28,184	4,710	22,419	6,279,540

* This transfer refers to the reclassification of depreciation of some assets.

Year ended 31 December 2014

Cost or valuation								
At start of year	271,080	1,118,050	5,437,164	198,664	27,807	15,661	16,306	7,084,732
Additions	-	-	2,132	6,107	1,292	3,233	2,371	15,135
Transfer from capital work-in-progress	-	-	-	-	14,466	-	(14,466)	-
Disposals	(10,000)	(240,000)	(1,973)	-	(8,273)	(2,945)	-	(263,191)
At end of year	261,080	878,050	5,437,323	204,771	35,292	15,949	4,211	6,836,676
Comprising:Cost	12,069	57,979	49,420	7,150	35,292	15,949	4,211	182,070
Valuation - 2013	249,011	820,071	5,387,903	197,621	-	-	-	6,654,606
	261,080	878,050	5,437,323	204,771	35,292	15,949	4,211	6,836,676
Depreciation								
At start of year	-	-	-	-	21,182	14,070	-	35,252
Charge for the year	4,183	44,722	214,842	26,316	1,755	1,132	-	292,950
Disposal	(400)	(9,600)	(52)	-	(7,523)	(2,309)	-	(19,884)
At end of year	3,783	35,122	214,790	26,316	15,414	12,893	-	308,318
Net book value	257,297	842,928	5,222,533	178,455	19,878	3,056	4,211	6,528,358

Land, building, storage tanks and plant and machinery were last revalued on 31 December 2013 by Vineyard Valuers Limited. Valuation were made on the basis of open market value for the existing use and reflects the highest and best use of the assets. The book value of the properties were adjusted and the resultant surplus was credited to the revaluation reserve in the shareholder's equity.

Notes to the Financial Statements for the year ended 31 December, 2015

	2015 Kshs '000	2014 Kshs '000
11 INVENTORIES		
Petroleum products	765,063	1,670,751
Store spares and lubricants	5,443	11,491
Good in transit	10,059,768	11,741,353
	<u>10,830,274</u>	<u>13,423,595</u>
12 TRADE AND OTHER RECEIVABLES		
Trade receivables	1,246,393	328,999
Less: provision for impairment	(1,042)	(1,068)
Net trade receivables	1,245,351	327,931
Prepayment, deferred charges and other receivables	428,607	59,777
Receivable from related parties (note 20 (v))	100,702	952,230
	<u>1,774,660</u>	<u>1,339,938</u>

In the opinion of the directors, the carrying amounts of the current portion of trade and other receivables approximate to their face values.

Movement in impairment provisions

At start of year	1,068	1,067
Additions	-	2,134
Recoveries	(26)	(1,156)
Written off	-	(977)
At end of year	<u>1,042</u>	<u>1,068</u>

The carrying amounts of the trade and other receivables are denominated in the following currencies:

Currencies:

Kshs	44,997	74,459
USD	1,729,663	1,265,479
	<u>1,774,660</u>	<u>1,339,938</u>

Trade receivables that are aged between 3 to 6 months are considered past due. As of 31 December 2015, trade receivables amounting to Kshs Nil (2014: Kshs Nil) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Individually impaired receivables mainly relate to customers, where the chances of recovery are remote as per management's assessment. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

13 SHARE CAPITAL

Authorized:		
72,977,000 (2014: 72,977,000) ordinary shares of Kshs. 20 each	<u>1,459,540</u>	<u>1,459,540</u>
Issued and fully paid:		
72,977,000 (2014: 72,977,000) ordinary shares of Kshs. 20 each	<u>1,459,540</u>	<u>1,459,540</u>

Share premium of Kshs 502,551,000 arose from issue of 7,977,000 shares to Gulf Africa Petroleum Corporation at a premium of Kshs 63 each in December 2008.

Notes to the Financial Statements for the year ended 31 December, 2015

	2015 Kshs '000	2014 Kshs '000
14 REVALUATION RESERVE		
Land and buildings	638,549	667,973
Storage Tanks	2,268,552	2,306,374
Plant and machinery	95,716	107,982
	<u>3,002,817</u>	<u>3,082,329</u>
The movements of reserves were as follows:		
Land and buildings		
At start of year	667,973	909,451
Revaluation on disposal	-	(203,307)
Transfer of excess depreciation	(29,424)	(38,171)
At end of year	<u>638,549</u>	<u>667,973</u>
Storage Tanks		
At start of year	2,306,374	2,344,196
Transfer of excess depreciation	(54,031)	(54,031)
Deferred tax on transfer of excess depreciation	16,209	16,209
At end of year	<u>2,268,552</u>	<u>2,306,374</u>
Plant and machinery		
At start of year	107,982	120,248
Transfer of excess depreciation	(17,523)	(17,523)
Deferred tax on transfer of excess depreciation	5,257	5,257
At end of year	<u>95,716</u>	<u>107,982</u>
Total		
At start of year	3,082,329	3,373,895
Revaluation realised on disposal	-	(203,307)
Transfer of excess depreciation	(100,978)	(109,724)
Deferred tax on transfer of excess depreciation	21,466	21,465
At end of year	<u>3,002,817</u>	<u>3,082,329</u>
15 SERVICE PAY PROVISION		
At start of year	6,944	12,344
Less: amounts utilized	(2,770)	(4,554)
Charge/(credit) to profit or loss	8,003	(846)
At end of year	<u>12,177</u>	<u>6,944</u>

The company has a service pay facility for qualifying employees. Under the plan, the employees are entitled to 15 days of their latest basic salary for each successful completed year of service.

Notes to the Financial Statements for the year ended 31 December, 2015

16 DEFERRED TAXATION

Deferred tax is calculated in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2014: 30%). The movement on the deferred tax account is as follows:

	2015 Kshs '000	2014 Kshs '000
At start of year	1,235,794	1,254,983
Credit to profit or loss – note 9(a)	<u>(57,932)</u>	<u>(19,189)</u>
At end of year	<u>1,177,862</u>	<u>1,235,794</u>

Deferred tax liabilities/(assets) and deferred tax charge/(credit) to profit or loss are attributable to the following items:

Year ended 31 December 2015

	At start of year Kshs '000	Charge/ (credit) to equity Kshs '000	Charge/ (credit) to profit or loss Kshs '000	At end of year Kshs '000
Deferred tax liabilities				
Property, plant and equipment				
- historical cost	313,175	-	(20,351)	292,824
- revaluation	1,034,724	-	(21,466)	1,013,258
Unrealised exchange differences	<u>18,136</u>	<u>-</u>	<u>(35,607)</u>	<u>(17,471)</u>
	<u>1,366,035</u>	<u>-</u>	<u>(77,424)</u>	<u>1,288,611</u>
Deferred tax (assets)				
Provision for leave and long-term services due	(2,578)	-	(2,032)	(4,610)
Other provisions	<u>(127,663)</u>	<u>-</u>	<u>21,524</u>	<u>(106,139)</u>
	<u>(130,241)</u>	<u>-</u>	<u>19,492</u>	<u>(110,749)</u>
Net deferred tax liability	<u>1,235,794</u>	<u>-</u>	<u>(57,932)</u>	<u>1,177,862</u>

Year ended 31 December 2014

Deferred tax liabilities				
Property, plant and equipment				
- historical cost	328,645	-	(15,470)	313,175
- revaluation	1,056,189	-	(21,465)	1,034,724
Unrealised exchange differences	<u>(4,870)</u>	<u>-</u>	<u>23,006</u>	<u>18,136</u>
	<u>1,379,964</u>	<u>-</u>	<u>(13,929)</u>	<u>1,366,035</u>
Deferred tax (assets)				
Provision for leave and long-term services due	(5,158)	-	2,580	(2,578)
Other provisions	<u>(119,823)</u>	<u>-</u>	<u>(7,840)</u>	<u>(127,663)</u>
	<u>(124,981)</u>	<u>-</u>	<u>(5,260)</u>	<u>(130,241)</u>
Net deferred tax liability	<u>1,254,983</u>	<u>-</u>	<u>(19,189)</u>	<u>1,235,794</u>

Notes to the Financial Statements for the year ended 31 December, 2015

	2015 Kshs '000	2014 Kshs '000
17 UNSECURED LOAN		
Gapco Uganda Limited (note 20 (v))	-	1,288,819

The loan, which was denominated in dollars, was repaid during the year and attracted interest at the rate of 5.5% per annum.

18 TRADE AND OTHER PAYABLES		
Trade payables	1,221,805	1,137,624
Accruals and other payables	2,198,187	3,916,630
Provision for leave pay	3,193	1,650
Payable to related parties (note 20 (v))	5,863,915	6,647,257
	<u>9,287,100</u>	<u>11,703,161</u>

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of the trade and other payables are denominated in the following currencies:

Kshs	518,878	3,721,041
USD	8,768,222	7,982,120
	<u>9,287,100</u>	<u>11,703,161</u>

The maturity analysis of current trade and other payables is as follows:

	0 to 3 months Kshs '000	3 to 12 months Kshs '000	Over 1 year Kshs '000	Total Kshs '000
Year ended 31 December 2015				
Trade payables	1,145,787	76,018	-	1,221,805
Accruals and other payables	1,819,241	375,946	3,000	2,198,187
Provisions for leave	3,193	-	-	3,193
Payable to related parties	5,863,915	-	-	5,863,915
	<u>8,832,136</u>	<u>451,964</u>	<u>3,000</u>	<u>9,287,100</u>
Year ended 31 December 2014				
Trade payables	1,067,414	70,210	-	1,137,624
Accruals and other payables	3,510,385	403,245	3,000	3,916,630
Provisions for leave	1,650	-	-	1,650
Payable to related parties	6,624,489	22,768	-	6,647,257
	<u>11,203,938</u>	<u>496,223</u>	<u>3,000</u>	<u>11,703,161</u>

Notes to the Financial Statements for the year ended 31 December, 2015

	2015 Kshs '000	2014 Kshs '000
19 CASH AND CASH EQUIVALENTS		
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash balances	429	370
Bank balances	230,732	787,585
	<u>231,161</u>	<u>787,955</u>
The carrying amounts of the company's cash and cash equivalents are denominated in the following currencies:		
Kshs	157,560	707,807
USD	73,601	80,148
	<u>231,161</u>	<u>787,955</u>
20 RELATED PARTY TRANSACTIONS AND BALANCES		
The immediate holding company is Gulf Africa Petroleum Corporation, a company incorporated and registered in Mauritius while the ultimate holding company is Reliance Industries Limited, India. Gapco Tanzania Limited, Gapco Uganda Limited, Reliance Petro Marketing Limited and Reliance Corporate IT Park Limited are related through common holding. Gapco Rwanda Limited ceased to be related party with effect from August 2014. Transenergy Kenya Limited also ceased to be a related party with effect from 30 September 2015.		
The following transactions were carried out with related parties:		
	2015 Kshs '000	2014 Kshs '000
i) Sales of goods and services		
Gapco Uganda Limited	3,370,006	4,122,605
Gapco Rwanda Limited	-	99,517
Gapco Tanzania Limited	938,626	4,687,903
	<u>4,308,632</u>	<u>8,910,025</u>
ii) Purchase of goods and services		
Reliance Industries Limited	139,947,968	150,528,991
Gapco Tanzania Limited	1,487	1,033
Reliance Corporate IT Park Limited	38,665	35,527
	<u>139,988,120</u>	<u>150,565,551</u>
iii) Trademark License Fee		
Reliance Petro Marketing Limited	16	33
iv) Interest Expenses		
Gapco Uganda Limited	32,260	20,450

Notes to the Financial Statements for the year ended 31 December, 2015

	2015 Kshs '000	2014 Kshs '000
v) Outstanding balances arising from sale and purchase of goods/services and loan		
<i>Receivable from other related companies</i>		
-Gapco Uganda Limited	55,896	-
-Gapco Tanzania Limited	44,806	952,230
Receivable from related parties (note 12)	<u>100,702</u>	<u>952,230</u>
<i>Payable to other related companies</i> -Reliance Industries Limited	5,832,016	6,587,324
-Reliance Corporate IT Park Limited	31,899	29,310
-Gapco Uganda Limited	-	7,855
-Transenergy (Kenya) Limited	-	22,768
Payable to related parties (note 18)	<u>5,863,915</u>	<u>6,647,257</u>
<i>Unsecured loan from related party (note 17)</i>		
-Gapco Uganda Limited	<u>-</u>	<u>1,288,819</u>
vi) Key management compensation		
Salaries and other short-term benefits	<u>18,245</u>	<u>11,274</u>
21 COMMITMENTS		
i) Operating lease commitments are as follows:		
Not later than 1 year	-	-
Later than 1 year and not later than 5 years	94,239	86,114
	<u>94,239</u>	<u>86,144</u>
ii) Capital commitments as follows:		
Property, plant and equipment	<u>6,915</u>	<u>1,189</u>
22 NOTES TO THE STATEMENT OF CASH FLOWS		
Reconciliation of profit before taxation to net cash generated from/(used in) operations		
Profit before taxation	1,229,121	959,134
Adjustments for:		
Depreciation of property, plant and equipment (note 10)	287,629	292,950
Gain on disposal of property, plant and equipment (note 5)	-	(7,731)
Interest expense (note 8)	33,093	20,473
Interest income (note 5)	(82,747)	(49,095)
Increase/(decrease) in service pay provision	5,233	(5,400)
	<u>1,472,329</u>	<u>1,210,331</u>
Movement in working capital items:		
Inventories	2,593,321	10,418,843
Trade and other receivables	(434,722)	844,470
Trade and other payables	(2,416,061)	(14,413,780)
Net cash generated from/ (used in) operations	<u>1,214,867</u>	<u>(1,940,136)</u>

Notes to the Financial Statements for the year ended 31 December, 2015

23 CONTINGENT LIABILITIES

- (i) Guarantees issued by the banks on behalf of the company
 - Citibank N.A – Kshs 132,000,000 (2014: Kshs 100,000,000)
 - Citibank N.A – Bid Bond – Bulk Procurement System (BPS) – Kshs 306,934,200 (USD 3,000,000) (2014: Kshs Nil (USD: Nil))- Bank of Baroda – Kshs Nil (2014: Kshs 271,793,400 (USD 3,000,000))
- (ii) Letters of Credit on purchases made through BPS – Kshs 1,044,344,195 (USD 10,207,506) (2014: Kshs 1,056,958,630 (USD: 11,666,493))
- (iii) A lawsuit was filed against the company by land owners of land in Kajiado for breach of a lease agreement between the two parties. As per the legal notice, the land owners claimed that the company had entered into a lease agreement with them for two plots for a period of 35 years commencing 1st December 1999. A hearing was set for 18 May 2015 but was not conducted due to some internal clarifications required on jurisdiction from the Supreme Court. A new date of hearing is awaited. Having regard to a review of the circumstances surrounding the case and legal advice, the directors are of the opinion that this claim will not give rise to liabilities which will have a material effect on the financial statements, hence no provision has been made in the financial statements.

24 CAPITAL RISK MANAGEMENT

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt if any.

The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued share capital and retained earnings as shown in the statement of financial position.

The company's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.
- to comply with the capital requirements set out by the company's bankers.
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- to maintain a strong asset base to support the development of business; and to maintain an optimal capital structure to reduce the cost of capital.
- The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, bonuses paid to directors or issue new shares. Consistently with others in the industry, the company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt: capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents.
- Capital comprises all components of equity.
- Debt-to-capital ratio during the year is not calculated since the company didn't have borrowings.

25 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

Market risk

- (i) Foreign exchange risk

The company undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Management has in place effective policies and controls to ensure that the net exposure is kept at an acceptable level.

Notes to the Financial Statements for the year ended 31 December, 2015

The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	Kshs '000
At 31 December 2015:	
<i>Financial assets</i>	
Trade and other receivables	1,729,663
Bank and cash balances	73,601
	<u>1,803,264</u>
<i>Financial liabilities</i>	
Trade and other payables	(2,904,307)
Due to related party	(5,863,915)
	<u>(8,768,222)</u>
Net exposure	<u>(6,964,958)</u>
At 31 December 2014	
<i>Financial assets</i>	
Trade and other receivables	1,265,479
Bank and cash balances	80,148
	<u>1,345,627</u>
<i>Financial liabilities</i>	
Trade and other payables	(1,357,630)
Due to related party	(6,624,490)
	<u>(7,982,120)</u>
Net exposure	<u>(6,636,493)</u>

Foreign exchange risk – Appreciation/Depreciation of Kshs against US Dollar by 5%

At 31 December 2015, if the Kenya Shillings had weakened/strengthen against the US Dollar with all other variables held constant, the pre-tax profit for the year would have been lower/higher by

Kshs 348,248,000 (31 December 2014 – Kshs 331,825,000). A 5% increase or decrease represents management's assessment of the reasonably possible change in exchange rates.

(ii) Price Risk

The company reviews its outlook for commodity prices regularly in considering the need for active financial risk management. The company does not hold investments that would be subject to price risk.

(iii) Interest rate risk

The interest rate risk exposure arises mainly from interest rate movements on the company's deposits with financial institutions. The company holds insignificant interest bearing investments hence this risk is not relevant.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the company maintains flexibility in funding by maintaining availability under committed credit lines.

Notes to the Financial Statements for the year ended 31 December, 2015

Management perform cash flow forecasting and monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet its operational needs. The company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the company's reputation.

The following table analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	0 to 3 months Kshs'000	3 to 12 months Kshs'000	Over 1 year Kshs'000	Total Kshs'000
Year ended 31 December 2015				
Trade payables	1,145,787	76,018	-	1,221,805
Payable to related parties	5,863,915	-	-	5,863,915
	<u>7,009,702</u>	<u>76,018</u>	<u>-</u>	<u>7,085,720</u>
Year ended 31 December 2014				
Trade payables	1,067,414	70,210	-	1,137,624
Payable to related parties	6,624,489	22,768	-	6,647,257
	<u>7,691,903</u>	<u>92,978</u>	<u>-</u>	<u>7,784,881</u>

The financial risk management objectives and policies are as outlined below:

Credit risk

Credit risk arises from cash and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the company.

Management assesses the credit quality of each customer, taking into account its financial position, past experiences and other factors. Individual risk limits are set based on internal ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored.

The amount that best represents the company's maximum exposure to credit risk as at 31 December 2015 is made up as follows:

	Fully performing Kshs'000	Past due Kshs'000	Impaired Kshs'000	Total Kshs'000
Bank balances	230,732	-	-	230,732
Trade receivables	1,246,393	-	(1,042)	1,245,351
	<u>1,477,125</u>	<u>-</u>	<u>(1,042)</u>	<u>1,476,083</u>

The amount that best represents the company's maximum exposure to credit risk as at 31 December 2014 is made up as follows:

	Fully performing Kshs'000	Past due Kshs'000	Impaired Kshs'000	Total Kshs'000
Bank balances	787,585	-	-	787,585
Trade receivables	328,999	-	(1,068)	327,931
	<u>1,116,584</u>	<u>-</u>	<u>(1,068)</u>	<u>1,115,516</u>

Notes to the Financial Statements for the year ended 31 December, 2015

Bank balances are held with banks that have a high credit rating. Bank balances are fully performing since they are not restricted.

The customers under the fully performing category are paying their debts as they continue trading. As at 31 December 2015, the debtors who were secured by way of letters of credit or bank guarantee were in the amount of Kshs 687,209,000 (USD: 6,716,928).

The trade receivables that is overdue and not impaired continues to be repaid. The company is actively following this.

26 EVENTS AFTER THE REPORTING DATE

There are no material events after the reporting date that would require disclosure in or adjustment to these financial statements.

27 INCORPORATION

GAPCO Kenya Limited is incorporated in Kenya under the Companies Act as a private limited liability company and is domiciled in Kenya.

28 PRESENTATION CURRENCY

The financial statements are presented in Kenya Shillings, which is also the functional currency, and all values are rounded to the nearest thousand (Kshs'000).