Gulf Africa Petroleum Corporation

Independent Auditors' Report

Independent Auditors' Report to the Shareholders of
Gulf Africa Petroleum Corporation

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

Report on financial statements

We have audited the financial statements of **Gulf Africa Petroleum Corporation** (the 'Company') **and its subsidiaries (collectively referred to as the 'Group')**, on pages 6 to 41, which comprise the statements of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 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 auditors' judgement, 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 the internal controls 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 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 on pages 6 to 41 give a true and fair view of the financial position of the Group and the Company as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 in so far as applicable to category 1 Global Business Licence companies.

Report on other legal and regulatory requirements

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interests in, the company and their subsidiaries other than in our capacity as auditors;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

Deloitte
Chartered Accountants

Pradeep Malik, FCA
Licensed by FRC

7 April 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December, 2015

	Notes	2015	2014
		US $ '000	US $ '000
			(Restated)
Revenue	4	**18,23,613**	22,92,423
Cost of sales		**(17,93,260)**	(22,56,980)
Gross profit		**30,353**	35,443
Other operating income	5	**11,530**	9,946
Administrative expenses		**(11,342)**	(12,580)
Establishment expenses		**(11,122)**	(12,293)
Operating profit	6	**19,419**	20,516
Finance income	8	**7,976**	1,193
Profit before tax		**27,395**	21,709
Income tax expense	9(a)	**(4,959)**	(6,885)
Profit for the year		**22,436**	14,824
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Translation reserve movement		**(31,968)**	(22,916)
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gains on property, plant and equipment	11,15	**2,198**	-
Deferred tax on revaluation of property, plant and equipment	11,14	**(659)**	-
Total comprehensive loss for the year		**(7,993)**	(8,092)
Profit for the year attributable to:			
- Equity shareholders		**22,436**	14,824
- Non-controlling interests		-	-
		22,436	14,824
Total comprehensive loss for the year attributable to:			
- Equity shareholders		**(7,993)**	(8,092)
- Non-controlling interests		-	-
		(7,993)	(8,092)

Company Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December, 2015

	Notes	2015	2014
		US $ '000	US $ '000
Revenue	4	-	-
Gain on disposal of investment in subsidiary	5	-	1,366
Impairment of investment in subsidiary		-	(2,558)
Liquidation of subsidiary		**(42)**	-
Administrative expenses		**(77)**	(76)
Operating loss	6	**(119)**	(1,268)
Finance costs	8	**(1,041)**	(1,099)
Loss before tax		**(1,160)**	(2,367)
Income tax expense	9(a)	-	-
Loss for the year		**(1,160)**	(2,367)
Other comprehensive income		-	-
Total comprehensive loss for the year		**(1,160)**	(2,367)

Consolidated Statement of Financial Position as at 31 December, 2015

	Notes	2015	2014
		US $ '000	US $ '000
			(Restated)
Non-current assets			
Property, plant and equipment	15	**1,33,460**	1,58,849
Prepaid operating lease rentals	16	**2,531**	2,689
Intangible assets	17	**12,272**	12,272
		1,48,263	1,73,810
Current assets			
Inventories	19	**1,17,419**	1,72,937
Trade and other receivables	20	**21,272**	7,858
Cash and cash equivalents	21	**14,594**	12,317
Tax recoverable		**-**	-
		1,53,285	1,93,112
Total Assets		**3,01,548**	3,66,922
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**22,000**	22,000
Revaluation reserve	11	**1,37,486**	1,37,671
Retained earnings		**1,09,630**	85,460
Accumulated translation losses		**(1,04,540)**	(72,572)
Total equity attributable to owners of the company		**1,64,576**	1,72,559
Non-current liabilities			
Deferred tax	14	**26,411**	33,935
		26,411	33,935
Current liabilities			
Borrowings	12	**-**	8,506
Provision for service gratuity	13	**814**	837
Trade and other payables	22	**1,08,887**	1,49,187
Current tax payable	9(b)	**860**	1,898
		1,10,561	1,60,428
Total Liabilities		**1,36,972**	1,94,363
		3,01,548	3,66,922

The financial statements on pages 6 to 41 were approved and authorised for issue by the Board of Directors on 7th April, 2016 and were signed on its behalf by:

______________________ DIRECTOR   ______________________ DIRECTOR

Company Statement of Financial Position as at 31 December, 2015

	Notes	2015	2014
		US $ '000	US $ '000
Non-current assets			
Investment in subsidiaries	18	**51,093**	51,331
Current assets			
Trade and other receivables	20	**8**	6
Cash and cash equivalents	21	**22**	75
		30	81
Total Assets		**51,123**	51,412
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**22,000**	22,000
Accumulated losses		**(13,879)**	(12,719)
Shareholders' funds		**8,121**	9,281
Non-current liabilities			
Payable to subsidiary	22	**42,969**	42,069
Current liabilities			
Other payables	22	**33**	62
		51,123	51,412

The financial statements on pages 6 to 41 were approved and authorised for issue by the Board of Directors on 7th April, 2016 and were signed on its behalf by:

______________________ DIRECTOR

______________________ DIRECTOR

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

ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Notes	Share capital	Revaluation reserve	Retained earnings	Accumulated translation losses*	Total
		US $ '000	US $ '000	US $ '000	US $ '000	US $ '000
Year ended 31 December 2014						
As previously reported :						
At start of year		22,000	1,42,056	65,936	(49,656)	1,80,336
Transfer of excess depreciation	11	-	(2,857)	2,857	-	-
Deferred tax on transfer of excess depreciation	11	-	727	(727)	-	-
Adjustment on disposal of subsidiary		-	-	315	-	315
Transfer to retained earnings from revaluation reserve on disposal of assets	11	-	(2,255)	2,255	-	-
Total comprehensive income/(loss) for the year		-	-	10,567	(18,659)	(8,092)
At end of year		22,000	1,37,671	81,203	(68,315)	1,72,559
Restatement						
Translation reserve on amount due to related party	26	-	-	4,257	(4,257)	-
Restated as on 31 December 2014		22,000	1,37,671	85,460	(72,572)	1,72,559
Year ended 31 December 2015						
As restated :						
At start of year		22,000	1,37,671	85,460	(72,572)	1,72,559
Transfer of excess depreciation	11	-	(2,334)	2,334	-	-
Deferred tax on transfer of excess depreciation	11	-	615	(615)	-	-
Adjustment on liquidation of subsidiary		-	-	10	-	10
Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment		-	(5)	5	-	-
Revaluation gains on property, plant and equipment		-	2,198	-	-	2,198
Deferred tax on revaluation of property, plant and equipment		-	(659)	-	-	(659)
Total comprehensive income/(loss) for the year	11	-	-	22,436	(31,968)	(9,532)
At end of year		22,000	1,37,486	1,09,630	(1,04,540)	1,64,576

* The accumulated translation losses consists of translation differences arising upon the consolidation of subsidiaries whose financial statements are not presented in United States Dollars.

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

	Share capital	Accumulated losses	Total
	US $ '000	US $ '000	US $ '000
Year ended 31 December 2014			
At start of year	22,000	(10,352)	11,648
Total comprehensive loss for the year	-	(2,367)	(2,367)
At end of year	22,000	(12,719)	9,281
Year ended 31 December 2015			
At start of year	22,000	(12,719)	9,281
Total comprehensive loss for the year	-	(1,160)	(1,160)
At end of year	**22,000**	**(13,879)**	**8,121**

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

	Notes	2015	2014
		US $ '000	US $ '000
			(Restated)
Operating activities			
Net cash generated from/(used in) operations	23	**36,007**	(8,256)
Interest income/(expense)	8	**95**	(711)
Tax paid	9(b)	**(8,577)**	(4,509)
Net cash generated from/(used in) operating activities		**27,525**	(13,476)
Investing activities			
Purchase of property, plant and equipment	15	**(3,459)**	(3,260)
Proceeds from disposal of property, plant and equipment		**190**	2,822
Net cash used in investing activities		**(3,269)**	(438)
Net increase/(decrease) in cash and cash equivalents		**24,256**	(13,914)
Movement in cash and cash equivalents			
At start of year		**3,811**	19,939
Net increase / (decrease)		**24,256**	(13,914)
Effect of foreign exchange differences on consolidation of foreign subsidiaries		**(13,473)**	(2,214)
At end of year	21	**14,594**	3,811

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

	Notes	2015	2014
		US $ '000	US $ '000
Operating activities			
Net cash generated from /(used in) operations	23	**792**	(1,012)
Interest paid	8	**(1,041)**	(1,099)
Net cash used in operating activities		**(249)**	(2,111)
Investing activities			
Proceeds on liquidation of subsidiary		**196**	-
Proceeds disposal of investment		-	2,167
Net cash generated from investing activities		**196**	2,167
Net (decrease)/increase in cash and cash equivalents		**(53)**	56
Movement in cash and cash equivalents			
At start of year		**75**	19
(Decrease)/ Increase		**(53)**	**56**
At end of year	21	**22**	75

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

1. LEGAL FORM AND PRINCIPAL ACTIVITY

Gulf Africa Petroleum Corporation (the “Company”) was incorporated in the Republic of Mauritius as a private limited liability company under the Companies Act 2001. The Company has been granted a Category 1, Global Business Licence by the Financial Services Commission.

The Company’s registered office is at IFS Court, Bank Street, TwentyEight, Cybercity, Ebène 72201, Mauritius.

The principal activity of the Group consists of the storage, handling and distribution of petroleum products through its retail network and industrial network in Tanzania, Zanzibar, Uganda and Kenya. The principal activity of the Company is that of an investment holding company.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in compliance with Mauritius Companies Act 2001.

The consolidated financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets.

The financial statements are presented in United States Dollar (‘’USD’’).

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Subsidiaries are entities that are controlled by the Group. Control is achieved if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements, and
- The Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests

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

- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

For the purpose of consolidation, the financial statements of the subsidiaries have been translated from Kenyan Shilling (KES), Tanzanian Shilling (TZS) and Ugandan Shilling (UGX) to the functional currency of the Gulf Africa Petroleum Corporation which is the USD at the following rates:

	2015		2014	
	Closing Rate	Average Rate	Closing Rate	Average Rate
TZS	2,159.0000	2,050.7536	1,739.0000	1,670.4520
KES	102.3114	98.2551	90.5978	87.9187
UGX	3,387.0000	3,247.8000	2,775.0000	2,607.3201

2.3 SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency translation

The financial statements are presented in USD, which is also the Company's functional currency. For each entity, Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising on settlement or retranslation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

(b) Revenue recognition

In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in International Accounting Standard 18 on 'Revenue' and, in particular, whether the Group had transferred to the buyer the significant risks and rewards of ownership of the goods. The directors are satisfied that revenue is only recognised when significant risks and rewards have been transferred to the customer and the customer has accepted the goods.

Divided income is recognised when the Shareholder's right to receive the payment has been established.

Interest income is recognised on an accrual basis when it is probable that the economic benefits will flow to the Group and the amount of income can be reliably measured.

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

(c) Investments in subsidiaries (separate financial statements of the Company)

Subsidiaries are those entities controlled by the Company. Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect these returns through its power over the entity.

Investments in subsidiaries in the separate financial statements of the Company are carried at cost, net of any impairment. Where the carrying amount of an investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is recognised in profit or loss. Upon disposal of the investment, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(d) Property, plant and equipment

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

Land, buildings, storage tanks and plant and machinery are subsequently shown at market value, based on periodic 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 Group 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 in the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve in equity, through other comprehensive income. 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 the profit or loss) and depreciation based on the asset’s original cost is transferred directly from the revaluation reserve to retained earnings. This is referred to as excess depreciation.

Depreciation is calculated on a straight line basis to write down the cost/valuation of each asset, to its residual value over its estimated useful life using the following annual rates:

	GapcoUganda Limited Rate %	**GapcoTanzania Limited Rate %**	**GapcoKenya Limited Rate %**	**GapoilZanzibar Limited Rate %**
Buildings	4	2 – 4	4	4 - 10
Plant, equipment and machinery	4 – 20	5 – 10	10	5 - 10
Motor vehicles	12.5 - 20	12.5 - 20	20	12.5 - 20
Furniture and fittings	5	10	15 - 16.7	10

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the 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 reference to their 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.

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

Capital work in progress mainly comprises construction of storage facilities and retails outlets by various subsidiary companies.No depreciation has been provided on the capital work in progress.

(e) 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.

(f) Intangible assets

- Computer software

Computer software costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be between three and five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development staff costs and an appropriate portion of relevant overheads.

- 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. This goodwill is included under intangible assets. Impairment tests are carried out on goodwill annually and the carrying amount in the consolidated statement of financial position is reduced by any impairment losses. Impairment losses on goodwill are not reversed.

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

(g) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current and non-current classification. An asset is classified as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

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

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually. 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).

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement

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

Subsequent measurement

- **Financial assets**

The Group's financial assets which include cash in hand and cash at bank and trade and other receivables fall into the following category:

Loans and receivables*:* Financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the short term, which are classified as held for trading and those that the entity upon initial recognition designated as at 'fair value,
- those that the entity upon initial recognition designates as 'available-for-sale'; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method.

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

The effective interest rate is the rate that exactly discounts estimated future cashreceipts(including all fees and parts paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Impairment of Financial Assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

Impairment of financial assets is recognised in the profit or loss when there is objective evidence that the Group

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

will not be able to collect all amounts due 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 amount of the impairment loss is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

Subsequent recoveries of amounts previously impaired are credited to profit or loss in the year in which they occur.

Derecognition

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

- **Financial liabilities**

Initial recognition and subsequent measurement

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

Financial liabilities measured at amortised cost: 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.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss.

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.

Subsequent measurement

Derecognition

Financial liabilities are derecognised when, and only when, the Group'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.

(j) 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 bringing the inventory to its current location and condition and is 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.

(k) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts, if any.

In the statement of financial position, bank overdrafts, if any, are included within borrowings in current liabilities.

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

(l) 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 the other comprehensive income or in equity. In this case, the tax is also recognised in other comprehensive income and equity.

- **Current tax**

Current tax is provided on the results for the year, adjusted in accordance with tax legislation that have been enacted or substantially enacted at the reporting date.

- **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.

(m) Retirement benefit obligations

Group companies contribute to various defined contribution pension schemes in accordance with the local conditions and practices in the countries in which they operate. The Group's contributions to these schemes are charged to profit or loss in the year to which they relate.

(n) Employee entitlements

Employee entitlements to gratuity and long service awards 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 end of the reporting period.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(p) Share capital

Ordinary shares are classified as equity.

(q) Related parties

Related parties are individuals and companies where the individual or company has the ability, directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions.

(r) Expenses

Expenses are accounted for in the statement of profit or loss and other comprehensive income on an accrual basis.

(s) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.4 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

(i) New and revised IFRSs and IFRIC applied with no material effect on financial statements

The following relevant new and revised Standards and interpretations have been adopted in these financial statements. Their application has not had any material impact on the amounts reported for the current period or prior years but may affect the accounting for future transactions or arrangements.

IAS 16 Property, Plant and Equipment - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)

IAS 24 Related Party Disclosures - Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)

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

IAS 38 Intangible Assets - Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)

IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)

IFRS 13 Fair Value Measurement - Amendments resulting from Annual Improvements 2010-2012 Cycle (short-term receivables and payables)

(ii) New and revised IFRSs and IFRICs in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IFRS 7 Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective on or after 1 January 2018)

IFRS 7 Financial Instruments: Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 (effective on or after 1 January 2018)

IFRS 7 Financial Instruments: Disclosures - Amendments resulting from September 2014 Annual Improvements to IFRSs (effective on or after 1 January 2016)

IFRS 9 Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition (effective on or after 1 January 2018)

IFRS 10 Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (effective on or after 1 January 2016)

IFRS 10 Consolidated Financial Statements - Amendments regarding the application of the consolidation exception (effective on or after 1 January 2016)

IFRS 10 Consolidated Financial Statements - Amendments deferring the effective date of the September 2014 amendments (effective immediately)

IFRS 12 Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception (effective on or after 1 January 2016)

IFRS 15 Revenue from Contracts with Customers - Original issue (effective on or after 1 January 2018)

IFRS 16 Leases – original Issue (effective on or after 1 January 2019)

IAS 1 Presentation of Financial Statements - Amendments resulting from the disclosure initiative (effective on or after 1 January 2016)

IAS 7 Statement of Cash Flows - Amend-ments as result of the Disclosure initiative (effective on or after 1 January 2017)

IAS 12 Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealized losses (effective on or after 1 January 2017)

IAS 16 Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective on or after 1 January 2016)

IAS 16 Property, Plant and Equipment - Amendments bringing bearer plants into the scope of IAS 16 (effective on or after 1 January 2016)

IAS 27 Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective on or after 1 January 2016)

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

IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation (effective on or after 1 January 2016)
IAS 39	Financial Instruments: Recognition and Measurement - Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception (effective on or after 1 January 2018)

The directors anticipate that these amendments will be adopted in the Group's and the Company's financial statements at the above effective date in future periods. The directors have not yet assessed the potential impact of the adoption of these amendments.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, the disclousers of contingent liabilities. Uncertanities about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liability affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effects on the amounts recognised in the financial statements:

Determination of functional currency

The primary objective of the Company is to generate returns in USD, its capital-raising currency. The liquidity of the Companyis managed on a day-to-day basis in USD. The Company's performance is evaluated in USD. Therefore management considers USD as the currency that most faithfully represents the economic effect of the underlying transactions, event and conditions. The functional currency of the subsidiaries is Gapko Kenya Limited - Kenyan Shilling (KES),Gapco Tanzania Limited - Tanzanian Shilling (TZS) and Gapco Uganda Limited - Ugandan Shilling (UGX).

Classification of leasehold land

In establishing whether the land component is an operating or finance lease the Company takes into account that land has an indefinite economic life. The directors consider that the titles to leasehold land held by the Group constitute finance leases since substantially all the risks and rewards incidental to ownership are transferred to the Group.

Estimates and assumptions

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 are discussed below.

- **Impairment of trade receivables**

The Group and the Company reviews their portfolio of trade receivables on regular basis. In determining whether receivables are impaired, management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cashflows expected.

- **Provisions for pending litigation**

Some of the Group's subsidiaries are currently involved in various legal cases. Management regularly reviews the status of these cases and, in consultation with legal counsel, estimates the probable liabilities that could be incurred in the event that the cases are lost. In determining whether to recognise the provisions in the financial statements, management critically evaluates the probability of losing these cases and only makes provision for the cases in which it is probable that future outflow of resources will be required to settle the obligations.

- **Property, plant and equipment**

Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

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

- **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

- **Going concern**

The financial performance of the Group is set out in the Director's report and in the statement of profit or loss and the other comprehensive income. The financial position of the Group is set out in the statement of financial position. Disclosures in respect of risk management are set out in Note 25.

Based on the financial performance and position of the Group and its risk management policies, the directors are of the opinion that the Group is well placed to continue in business for the forseable future and as a result the financial statements are prepared on a going concern basis.

4. REVENUE

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Sale of goods and services	**18,23,613**	22,92,423	-	-

5. OTHER OPERATING INCOME

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Throughput fees	**8,031**	7,291	-	-
Gain on disposal of property, plant and equipment	**41**	88	-	-
Gain on disposal of investment in subsidiary	-	1,366	-	1,366
Miscellaneous income	**3,458**	1,201	-	-
	11,530	9,946	-	**1,366**

6. OPERATING PROFIT

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
The following items have been charged in arriving at the operating profit:				
Depreciation on property, plant and equipment (Note 15)	**6,767**	8,025	-	-
Amortisation of prepaid operating lease rentals (Note 16)	**158**	158	-	-
Impairment of investment in subsidiary	-	-	-	2,558
Cost of inventories expensed	**17,93,260**	22,56,980	-	-
Audit fees	**183**	177	**56**	52
Movement in provision for receivables (Note 20)	**(39)**	223	-	-
Staff costs (Note 7)	**5,694**	5,978	-	-
Operating lease rentals	**855**	823	-	-

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

7. STAFF COSTS

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Salaries and wages	**4,568**	4,714	-	-
Other staff costs	**1,126**	1,264	-	-
	5,694	5,978	-	-

8. FINANCE (INCOME)/COSTS

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Interest (income)/expense:				
- bank overdrafts	**(95)**	711	-	-
- related party borrowings	-	-	**1,041**	1,099
Foreign exchange gain	**(7,881)**	(1,904)	-	-
	(7,976)	(1,193)	**1,041**	1,099

9. TAXATION

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
(a) Income tax expense				
Current tax	**7,497**	6,660	-	-
Prior year underprovision of income tax	**264**	2,026	-	-
Deferred tax credit (Note 14)	**(2,802)**	(1,801)	-	-
Income tax expenses	**4,959**	6,885	-	-

The tax on the Group's/Company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic rate. The reconciliation of the actual tax charge with the tax at the applicable rates to profits in the countries concerned is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Profit/(loss) before tax	**27,395**	21,709	**(1,160)**	(2,367)
Tax calculated at the rate of 15%	**4,109**	3,256	**(174)**	(355)
Tax effect of:				
- expenses not deductible for tax purposes	**194**	332	**35**	112
- foreign tax credit	**139**	284	**139**	284
- prior year under provision of corporation tax	**264**	2,026	-	-
- income not subject to tax	**(4,085)**	(1,419)	-	(41)
- tax rate differential	**4,338**	2,406	-	-
Tax charge	**4,959**	6,885	-	-

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

Mauritius

The Company is subject to income tax in Mauritius at the rate of 15% (2014 : 15%) on taxable profits. It is however entitled to a foreign tax credit equivalent to the higher of the actual foreign taxes suffered and 80% of the Mauritius tax on its foreign source income, thus reducing effective tax rate to a maximum of 3%.

Tanzania (including Zanzibar)

Tax rate is 30% (2014 : 30%) on taxable profits. Dividend payments are subject to withholding tax at 10% (2014 : 10%).

Kenya

Tax rate is 30% (2014 : 30%) on taxable profits. Dividend payments are subject to withholding tax at 10% for non resident (2014 : 10%).

Uganda

Tax rate is 30% (2014 : 30%) on taxable profits. Dividend payments are subject to withholding tax at 15% for non resident (2014 : 15%).

(b) Current tax payable

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
At start of year	**1,898**	(2,442)	-	-
Charge for the year	**7,497**	6,660	-	-
Under provision in prior period	**264**	2,026	-	-
Translation difference	**(222)**	163	-	-
Tax paid during the year	**(8,577)**	(4,509)	-	-
At end of year	**860**	1,898	-	-

10. SHARE CAPITAL

	Group and Company	
	2015	2014
	US $ '000	US $ '000
Issued and fully paid:		
22,000 (2014: 22,000) ordinary shares of USD 1,000 each	**22,000**	22,000

All shares have equal voting rights and attract dividends at the same rate.

11. REVALUATION RESERVE

	Group	
	2015	2014
	US $ '000	US $ '000
At start of year	**1,37,671**	1,42,056
Transfer of excess depreciation	**(2,334)**	(2,857)
Deferred tax on transfer of excess depreciation	**615**	727
Revaluation gains on property, plant and equipment	**2,198**	-
Deferred tax on revaluation of property, plant and equipment	**(659)**	-
Disposal of revalued portion of property, plant and equipment	**(5)**	(2,255)
At end of year	**1,37,486**	1,37,671

The revaluation reserve represents the surplus on the revaluation of property, plant and equipment, net of deferred tax of

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

Gapco Kenya Limited, Gapco Uganda Limited, Gapco Tanzania Limited and Gapoil (Zanzibar) Limited.

Gapco Kenya Limited
Land, buildings, storage tanks and plant and machinery were last revalued on 31 December 2013 by Vineyard Valuers Limited. Valuations were made on the basis of open market value for the existing use. The book values of the properties were adjusted and the resultant surplus was credited to the revaluation reserve in the shareholders' equity and losses recognised in the statement of profit or loss and other comprehensive income.

Gapco Tanzania Limited
Buildings and plant and machinery were last revalued on 31 December 2013 by Messr's M & R Agency Ltd. Valuations were made on the basis of open market value for the existing use. The book values of the properties were adjusted and the resultant surplus was credited to the revaluation reserve in the shareholders' equity and losses recognised in the statement of profit or loss and other comprehensive income.

Gapco Uganda Limited
Buildings and plant and machinery were last revalued on 31 December 2010 by Messr's East African Consulting Surveyors. Valuations were made on the basis of open market values. The book values of properties was adjusted and the resultant surplus was credited to the revaluation reserve in the shareholders' equity through the statement of profit or loss and other comprehensive income.

Gapoil (Zanzibar) Limited
Land, buildings and plant and machinery were last revalued on 31 December 2015 by Messr's M & R Agency Ltd. Valuations were made on the basis of open market values. The book values of properties was adjusted and the resultant surplus was credited to the revaluation reserve in the shareholders' equity through the statement of profit or loss and other comprehensive income.

12. BORROWINGS

	Group		Company	
	2015	2014	**2015**	2014
The borrowings are made up as follows:	**US $ '000**	US $ '000	**US $ '000**	US $ '000
Current				
Bank overdraft (Note 21)	-	8,506	-	-

Bank overdraft

Bank borrowings are secured by:

- Floating charge over current assets (present and future) of Gapco Tanzania Limited covering credit facility from Standard Chartered Bank Tanzania Limited.
- Legal charge over 7 properties total amounting to TZS.11.59 billion (2014 TZS. 7.76 billion) billion covering facilities for National Bank of Commerce Limited. The charges are subsequently discharged in January 2016.

	Group	
	2015	2014
Undrawn facilities as at the reporting date were as follows:	**US $ '000**	US $ '000
Bank borrowings	**68,029**	44,510

The borrowing facilities expiring are subject to review at various dates during the next financial year.

	Group		Company	
Weighted average effective interest rates	**2015**	2014	**2015**	2014
at the reporting date were:	**%**	%	**%**	%
Bank overdraft	**3.25 - 13.00**	3.25 - 13.00		

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

The carrying amounts of the Group's borrowings are denominated in the following currencies (converted into United States Dollars at the rate prevailing at the reporting date):

	Group	
	2015	2014
	US $ '000	US $ '000
United States Dollars	-	8,409
Tanzanian Shillings	-	97
	-	8,506

13. PROVISION FOR SERVICE GRATUITY

	Group	
	2015	2014
	US $ '000	US $ '000
Benefit payable	**814**	837

The fund has no separately identified plan assets.

14. DEFERRED TAX

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate prevalent in the various jurisdictions the Group operates in. The movement on the deferred tax account is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
At start of year	**33,935**	38,366	-	-
Credit to profit or loss (Note 9(a))	**(2,802)**	(1,801)	-	-
Charge to other comprehensive income	**659**	-	-	-
Translation reserve	**(5,381)**	(2,630)	-	-
At end of year	**26,411**	33,935	-	-

Deferred tax liabilities and assets at the end of the reporting year and deferred tax (credit) / charge in profit or loss and other comprehensive income.

Group	**At start of year**	**Translation reserve**	**Charge to other comprehensive income**	**Credit to profit or loss**	**At end of year**
	US $ '000	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**
Deferred tax liabilities					
Accelerated capital allowances and revaluation surplus	36,900	(5,381)	659	(1,168)	31,010
Unrealised exchange differences	169	-	-	119	288
	37,069	(5,381)	659	(1,049)	31,298
Deferred tax (assets)					
Other temporary timing differences	(3,134)	-	-	(1,753)	(4,887)
Net deferred tax liability	33,935	(5,381)	659	(2,802)	26,411

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant, equipment and machinery	Motor vehicles	Furniture and fittings	Capital work-in-progress	Total
Group - Year 2015	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**
Cost or valuation						
At start of year	**72,618**	**1,22,073**	**543**	**889**	**3,050**	**1,99,173**
Translation adjustments	**(13,495)**	**(17,643)**	**(105)**	**(151)**	**(581)**	**(31,975)**
Additions	**-**	**70**	**-**	**27**	**3,362**	**3,459**
Transfer from capital work in progress	**2,053**	**2,089**	**-**	**156**	**(4,298)**	**-**
Surplus on revaluation	**377**	**1,821**	**-**	**-**	**-**	**2,198**
Disposals	**(125)**	**(36)**	**(8)**	**-**	**-**	**(169)**
At end of year	**61,428**	**1,08,374**	**430**	**921**	**1,533**	**1,72,686**
Depreciation						
At start of year	**12,573**	**26,966**	**445**	**340**	**-**	**40,324**
Translation adjustments	**(2,446)**	**(5,246)**	**(87)**	**(66)**	**-**	**(7,845)**
On disposal	**(7)**	**(5)**	**(8)**	**-**	**-**	**(20)**
Reclassified	**-**	**6**	**-**	**(6)**	**-**	**-**
Charge for the year	**2,087**	**4,574**	**38**	**68**	**-**	**6,767**
At end of year	**12,207**	**26,295**	**388**	**336**	**-**	**39,226**
Balance at 31 December 2015	**49,221**	**82,079**	**42**	**585**	**1,533**	**1,33,460**

Details on revaluation are as per Note 11 of these financial statements.

Legal charge over 7 properties total amounting to TZS. 11.59 billion (2014 TZS. 7.76 billion) covering facilities from National Bank of Commerce Limited. The charges are subsequently discharged in January 2016.

Details of the fair value hierarchy for the Group's property plant and equipment held at fair value as at 31 December 2015 are as follows:

	Level 1	Level 2	Level 3	Total
	US $ '000	**US $ '000**	**US $ '000**	**US $ '000**
Land and buildings	-	49,221	-	**49,221**
Plant, equipment and machinery	-	-	82,079	**82,079**
31 December 2015	**-**	**49,221**	**82,079**	**1,31,300**

The assets are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices); and

iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Land and buildings	Plant, equipment and machinery	Motor vehicles	Furniture and fittings	Capital work-in-progress	Total
Group - Year 2014	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**
Cost or valuation						
At start of year	80,309	1,37,889	602	808	3,733	2,23,341
Translation adjustments	(6,056)	(19,130)	(59)	(65)	841	(24,469)
Additions	52	149	-	66	2,993	3,260
Transfer from capital work in progress	1,072	3,240	-	205	(4,517)	-
Disposals	(2,759)	(75)	-	(125)	-	(2,959)
At end of year	72,618	1,22,073	543	889	3,050	1,99,173
Depreciation						
At start of year	10,833	23,830	435	407	-	35,505
Translation adjustments	(909)	(2,001)	(37)	(34)	-	(2,981)
On disposal	(110)	(6)	-	(109)	-	(225)
Charge for the year	2,759	5,143	47	76	-	8,025
At end of year	12,573	26,966	445	340	-	40,324
Balance at 31 December 2014	60,045	95,107	98	549	3,050	1,58,849

If the land, buildings, storage tanks and plant and machinery were stated on the historical cost basis, the amount would be as follows:

	Land and buildings US $ '000	Plant, equipment and machinery US $ '000	Total US $ '000
Year ended 31 December 2015			
Cost	21,530	53,953	75,483
Accumulated depreciation	(11,762)	(49,931)	(61,693)
Net book value	9,768	4,022	13,790
Year ended 31 December 2014			
Cost	19,602	51,830	71,432
Accumulated depreciation	(11,223)	(43,187)	(54,410)
Net book value	8,379	8,643	17,022

16. PREPAID LEASE RENTALS

	Group	
	2015	2014
	US $ '000	US $ '000
Cost		
At start and at end of year	**4,628**	4,628
Amortisation		
At start of year	**1,939**	1,781
Charge for the year	**158**	158
At end of year	**2,097**	1,939
Net book value	**2,531**	2,689

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

17. INTANGIBLE ASSETS

	Group	
	2015	2014
	US $ '000	US $ '000
Goodwill (Note 17 (b))	**12,272**	12,272
a) Computer software		
Cost		
At start and at end of year	**2,666**	2,666
Amortisation		
At start and at end of year	**2,666**	2,666
Net book value	**-**	-
b) Goodwill		
At start and at end of year	**12,272**	12,272

The carrying amount of the goodwill analysed by Cash Generating Unit (CGU) is as follows:

	Group	
	2015	2014
	US $ '000	US $ '000
GAPCO Tanzania Limited	**10,766**	10,766
GAPCO Uganda Limited	**1,506**	1,506
	12,272	12,272

When testing for impairment, the recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using 10% as an estimated growth rate. The growth rate does not exceed the long term average past growth of the various subsidiaries in the Group.

A discount rate of 10% (2014: 10%) was applied in discounting the cash flows mentioned above.

The assumptions used in preparing the above cash flows are as follows:

- Management determine budgeted profit based on past performance and its expectations for market development.
- The weighted average growth rates used are consistent with the forecasts included in industry reports (where available). The discount rates used are post-tax and reflect specific risks relating to the relevant segments.

18. INVESTMENT IN SUBSIDIARIES

	Company	
	2015	2014
	US $ '000	US $ '000
At 1 January	**51,331**	54,690
Provision for Impairment - Transenergy Kenya Limited	**-**	(2,558)
Disposal of Gapco Rwanda Limited	**-**	(801)
Investment write off on liquidation of Transenergy Kenya Limited	**(238)**	-
At 31 December	**51,093**	51,331

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

18. INVESTMENT IN SUBSIDIARIES (Cont.)

Name of entity	Class of Shares held	Country of incorporation	Direct Holding	Company 2015	Company 2014
				US $ '000	US $ '000
GAPCO Tanzania Limited	Ordinary	Tanzania	99.99%	**30,735**	30,735
GAPCO Uganda Limited	Ordinary	Uganda	99.99%	**5,430**	5,430
GAPCO Kenya Limited	Ordinary	Kenya	99.99%	**14,928**	14,928
Transenergy Kenya Limited	Ordinary	Kenya	99.99%	**-**	238
				51,093	51,331

Indirect holding

Gapoil (Zanzibar) Limited is a subsidiary of GAPCO Tanzania Limited.

The Company has adopted the policy of measuring its investment at cost less impairment. The director are of the opinion that the carrying value of the investments is fairly stated at cost and therefore has not suffered any impairment in value as at 31 December 2015 (2014: USD 2,558,000). On 30 September 2015, Transenergy Kenya Limited was liquidated. In prior year, the investment in Gapco Rwanda was disposed of.

19. INVENTORIES

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Petroleum products for sale	**18,579**	42,725	**-**	-
Goods in transit	**98,840**	1,30,212	**-**	-
	1,17,419	1,72,937	**-**	-

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Current				
Trade receivables (Net of provision for impairment)	**16,070**	6,091	**-**	-
Prepayments and other receivables	**5,202**	1,767	**8**	6
	21,272	7,858	**8**	6

In the opinion of the directors, the Group and Company's carrying amounts of the trade and other receivables approximate their fair value.

The Group's credit risk arises primarily from trade receivables. The directors are of the opinion that the Group's exposure is limited because the debt is widely held. The Group's credit period is between 30 to 60 days. Interest is charged on overdue balances.

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies (converted into United States Dollars at the rate prevailing at the reporting date):

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

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Kenya Shillings	**440**	1,073	**-**	-
Tanzanian Shillings	**1,206**	1,113	**-**	-
Ugandan Shillings	**489**	1,532	**-**	-
US Dollar	**19,137**	4,140	**8**	6
	21,272	7,858	**8**	6

Trade receivables that are less than three months past due are not considered impaired.

As of 31 December 2015, the Group's trade receivables amounting to USD 1.065 million (2014: USD 0.774 million) were past due out of which provision for impairement is USD 0.210 million (2014: USD 0.249 million). These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group	
	2015	2014
	US $ '000	US $ '000
3 to 12 months	**1,065**	774

Movement in impairment provisions	Group	
	2015	2014
	US $ '000	US $ '000
At start of year	**249**	26
Movement during the year	**(39)**	223
At end of year	**210**	249

Individually impaired receivables mainly relate to customers, where the chances of recovery is remote as per management assessment.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Cash at bank and in hand	**14,594**	12,317	**22**	75

For the purpose of the statements of cash flows, the cash and cash equivalents comprise the following:

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Cash at bank and in hand	**14,594**	12,317	**22**	75
Bank overdraft (Note 12)	**-**	(8,506)	**-**	-
	14,594	3,811	**22**	75

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

21. CASH AND CASH EQUIVALENTS (CONTINUED)

The carrying amounts of the Group and Company's cash at bank and in hand are denominated in the following currencies:

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Kenya Shillings	**1,540**	7,813	**-**	-
Tanzanian Shillings	**4,765**	2,626	**-**	-
Ugandan Shillings	**444**	898	**-**	-
US Dollar	**7,845**	980	**22**	75
	14,594	12,317	**22**	75

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Non-current				
Payable to subsidiary (Note 24 (iv))	**-**	-	**42,969**	42,069
Current				
Trade payables	**24,394**	24,872	**-**	-
Other payables	**26,193**	49,814	**33**	62
Payable to related party (Note 24 (iv))	**58,300**	74,501	**-**	-
	1,08,887	1,49,187	**33**	62
	1,08,887	1,49,187	**43,002**	42,131

The average credit period of trade payables is between 30 and 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The maturity analysis of trade and other payables for the Group and Company is as follows:

2015	**0 to 3 months**	**3 to 12 months**	**On Demand**	**Total**
Group	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**
Trade payables	21,642	1,912	840	24,394
Other payables	20,715	4,216	1,262	26,193
Payable to related party	58,300	-	-	58,300
	1,00,657	6,128	2,102	1,08,887
	0 to 3 months	**3 to 12 months**	**Over 1 year**	**Total**
Company				
Other payables	-	33	-	33
Payable to subsidiary	-	-	42,969	42,969
	-	-	42,969	43,002

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

22. TRADE AND OTHER PAYABLES (CONTINUED)

2014 Group	0 to 3 months US $ '000	3 to 12 months US $ '000	On Demand US $ '000	Total US $ '000
Trade payables	23,380	858	634	24,872
Other payables	43,628	4,512	1,674	49,814
Payable to related party	74,501	-	-	74,501
	1,41,509	5,370	2,308	1,49,187

	0 to 3 months	3 to 12 months	Over 1 year	Total
Company				
Other payables	-	62	-	62
Payable to subsidiary	-	-	42,069	42,069
	-	-	42,069	42,131

The amount payable to subsidiary is related to Gapco Tanzania Limited which is unsecured and bears interest at the rate of 4% p.a (2014: 4% p.a). It is not repayable within the next 12 months based on agreement between the two parties.

The carrying amounts of the Group and Company's trade and other payables are denominated in the following currencies (converted into United States Dollars at the rate prevailing at the reporting date):

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Kenyan Shillings	**5,072**	41,112	**-**	-
Tanzanian Shillings	**1,932**	25,942	**-**	-
Ugandan Shillings	**1,789**	2,068	**-**	-
US Dollar	**1,00,094**	80,065	**43,002**	42,131
	1,08,887	1,49,187	**43,002**	42,131

23. CASH (USED IN)/ FROM OPERATIONS

	Group		Company	
	2015	2014	**2015**	2014
	US $ '000	US $ '000	**US $ '000**	US $ '000
Reconciliation of profit/(loss) before tax to cash (used in)/from operations:				
Profit/(loss) before tax	**27,395**	21,709	**(1,160)**	(2,367)
Adjustments for:				
Depreciation on property, plant and equipment (Note 15)	**6,767**	8,025	**-**	-
Impairment of investment in subsidiary	**-**	-	**-**	2,558
Amortisation of prepaid operating lease rentals (Note 16)	**158**	158	**-**	-
Gain on disposal of property, plant and equipment (Note 5)	**(41)**	(88)		-
Loss/(Gain) on liquidation/disposal of investment	**42**	(1,366)	**42**	(1,366)
Interest (income)/ expense (Note 8)	**(95)**	711	**1,041**	1,099
Provision for long term service dues and provision for gratuity	**(23)**	(183)	**-**	-
Changes in working capital:				
- inventories	**55,518**	1,27,087	**-**	-
- trade and other receivables	**(13,414)**	5,727	**(2)**	1
- trade and other payables	**(40,300)**	(1,70,036)	**871**	(937)
Net cash generated from/(used in) operations	**36,007**	(8,256)	**792**	(1,012)

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

24. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties:

		Group		Company	
		2015	2014	**2015**	2014
		US $ '000	US $ '000	**US $ '000**	US $ '000
i)	**Purchase of goods**				
	Ultimate Holding company	**14,29,451**	17,16,174	**-**	-
	Management consultancy/ Business support/Trade Mark Licence Fee/IT support services				
	Ultimate Holding company	**860**	960	**-**	-
	Reliance Petro Marketing Limited	**78**	65	**-**	-
	Reliance Corporate IT Park Limited	**860**	922	**-**	-
		1,798	1,947	**-**	-
ii)	**Interest to subsidiaries (Note 8)**	**-**	-	**1,041**	1,099
iii)	**Key management compensation**				
	Short term employee benefits	**362**	242	**-**	-
iv)	**Outstanding balances**				
	Trade payables to related party (Note 22)	**58,300**	74,501	**42,969**	42,069
	Payables to related parties can be analysed as follows:				
	Subsidiaries	-	-	**42,969**	42,069
	Ultimate Parent and other group companies	**58,300**	74,501	**-**	-
		58,300	74,501	**42,969**	42,069

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the management under policies approved by the Board of Directors.

(a) Market risk

- *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Kenya Shilling, Ugandan Shilling and Tanzanian Shilling.

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

The risk arises from future transactions, assets and liabilities in the statement of financial position.

The Company is not exposed to foreign exchange risk as all its assets, liabilities and future transactions are all denominated in the functional currency (United States Dollar).

The table below summarises the effect on post-tax profit had the United States Dollar weakened by 10% against each currency, with all other variables held constant. If the United States Dollar strengthened against each currency, the effect would have been the opposite.

Group		**2015**		US $ '000
	Kshs	**Tshs**	**Ushs**	**Total**
Effect on post tax profit - (decrease)/increase	**(4,816)**	**2,220**	**1,085**	**(1,511)**
		2014		US $ '000
	Kshs	Tshs	Ushs	Total
Effect on post tax profit - (decrease)/increase	(5,190)	2,857	963	(1,370)

- *Interest rate risk*

The Group's exposure to interest rate risk arises from borrowings.

Financial assets and liabilities obtained at different rates expose the Group to interest rate risk. Financial assets and liabilities obtained at fixed rates expose the Company to fair value interest rate risk, except where the instruments are carried at amortised cost. The Group maintains adequate ratios of borrowings when compared to total borrowings in fixed interest rates.

GROUP

At 31 December 2015, if interest rates at that date had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been USD NIL (2014: NIL) lower, arising mainly as a result of higher interest expense on variable borrowings. The Group borrows mainly at fixed interest rates hence there is a negligible impact on profit or loss when interest rates vary.

COMPANY

At 31 December 2015, if interest rates at that date had been 100 basis points higher with all other variables held constant, post-tax loss for the year would have been USD NIL (2014: NIL) higher, arising mainly as a result of higher interest expense on variable borrowings.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored. None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company's/Group's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes 12 and 22 disclose the maturity analysis of borrowings and trade and other payables respectively.

26. CAPITAL MANAGEMENT

Capital structure

The capital structure of the Group and the Company consists of net debt, which includes the borrowings disclosed in Note 12 offset by cash and bank balances disclosed in Note 21 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings, as detailed in the statement of changes in equity.

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and
- to maintain a strong asset base to support the development of business.

The management sets the amount of capital in proportion to risk. The group 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 group may adjust the amount of capital expenditure incurred.

The Group and Company are not geared in 2015 as cash and cash equivalents exceeded borrowings.

27. CONTINGENT LIABILITIES

Gapco Kenya Limited

i) Guarantees issued by banking institutions on behalf of the Company: Citibank N.A - Kshs. 132,000,000 (2014: Kshs.100,000,000) and Bid Bond - BPS - Kshs. 306,934,200 (USD 3,000,000) (2014: NIL)

ii) Letters of Credit - Citi Bank - Kshs. 1,044,344,195 (USD 10,207,506) (2014: Kshs. 1,056,958,630 (USD 11,666,493)

iii) Bank of Baroda - Kshs. NIL (2014: KSh. 271,793,400 (USD 3,000,000).

Gapco Tanzania Limited

i) Standard Chartered Bank - Performance Guarantee - Tshs. 1,403,350,000 (2014: Tshs. 1,130,350,000)

ii) Letter of Credit - Standard Chartered Bank - Tshs. 28,121,080,964 (2014: Tshs. 28,471,080,283)

iii) Indemnity bonds issued to statutory authorities Tshs. 25,020,000,000 (2014: Tshs. 25,020,000,000)

iv) Claims against the Company not acknowledged - Tshs. 236,749,463 (2014: Tshs. 402,991,513)

Gapco Uganda Limited

i) Claims against the Company not acknowledged - Ugx 9,300,000,000 (2014: Ugx. 9,300,000,000 restated from Ugx 370,000,000)

The Group's subsidiaries are currently involved in a number of legal cases; however, no provision has been made in these financial statements because, in the directors' assessment, the possibility of material liabilities arising from these matters is remote.

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

28. COMMITMENTS

(i) Capital commitments

The Group has capital commitments amounting to USD 1,252,396 (2014: USD 3,126,407).

(ii) Operating lease commitments

Operating lease relates to leases of property. The Group does not have an option to purchases the leased land at the expiry of the lease period. However in some of the cases there is renewal clause based on mutual agreement of both of the parties.

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

	Group	
	2015	2014
	US $ '000	US $ '000
Not later than 1 year	**57**	85
Later than 1 year and not later than 5 years	**921**	951
	978	1,036

29. PRIOR YEAR ADJUSTMENT

The prior year adjustment relates to the restatement of foreign exchange gain on Intercompany loans and advances
The effects of these adjustments on the comparative financial statements of the Group are as follows:
Impact on Profit or Loss and Other Comprehensive Income and Statement of Change in Equity

	2014
	US $ '000
Increase in Accumulated translation losses	4,257
Increase in Retained earnings - Decrease in Finance Cost	4,257

30. COUNTRY OF INCORPORATION

Gulf Africa Petroleum Corporation is incorporated in Mauritius under the Mauritian Companies Act 2001 as a private limited liability company and is domiciled in Mauritius. The Company holds a category 1 Global Business Licence under the Financial Services Act 2007.

31. PRESENTATION CURRENCY

The consolidated financial statements are presented in United States Dollars (US$ 000s).

32. PARENT COMPANY AND ULTIMATE HOLDING COMPANY

The Parent company is Reliance Exploration and Production DMCC registered in Dubai, United Arab Emirates and the Ultimate Holding company is Reliance Industries Limited registered in India.

33. SUBSEQUENT EVENTS

There have been no material events after the reporting period which would require disclosure or adjustment to the financial statements for the year ended 31 December 2015.