

GULF AFRICA PETROLEUM CORPORATION

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 of Gulf Africa Petroleum Corporation ("the Company"), 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 accompanying financial statements of Gulf Africa Petroleum Corporation (the 'Company') and its subsidiaries (collectively referred to as the 'Group'), on pages 6 to 45, which comprise the statements of financial position as 31 December 2014, 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 the requirements of the Mauritius Companies Act 2001 and in so far as applicable to Category 1 Global Business Licence companies and 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 for the Financial Statements

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 our 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, we considered the internal controls relevant to the entity'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 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 45 give a true and fair view of the financial position of the Group and the Company as at 31 December 2014 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 capacities as auditor,
- 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

9 April 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December, 2014

	Notes	2014 US \$ '000	2013 US \$ '000
Revenue	1	2,292,423	2,662,529
Cost of sales	3	(2,256,980)	(2,629,479)
Gross profit		35,443	33,050
Other operating income	2	9,946	9,795
Administrative expenses		(12,580)	(10,885)
Establishment expenses		(12,690)	(17,013)
Operating profit	3	20,119	14,947
Finance income	5	(2,667)	316
Profit before tax		17,452	15,263
Income tax expense	6(a)	(6,885)	(6,349)
Profit for the year		10,567	8,914
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation reserve movements		(18,659)	1,245
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation gains on property, plant and equipment	8,12		55,007
Deferred tax on revaluation of property, plant and equipment	8, 11		(13,341)
Total comprehensive income for the year		(8,092)	51,825
Total comprehensive income for the year is attributable to:			
- Equity shareholders		(8,092)	51,825
- Non-controlling interests		-	-
		(8,092)	51,825

The notes on pages 15 to 46 form an integral part of the consolidated financial statements.

Report of the independent auditor - pages 5 and 6.

Company Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December, 2014

	Notes	2014	2013
		US \$ '000	US \$ '000
Revenue	1	-	-
Cost of sales		-	-
Gross profit		-	-
Other operating income	2	1,366	-
Administrative expenses		(2,634)	(31)
Operating loss	3	(1,268)	(31)
Finance costs	5	(1,099)	(1,121)
Loss before tax		(2,367)	(1,152)
Income tax expense	6(a)	-	-
Loss/total comprehensive loss for the year		(2,367)	(1,152)

The notes on pages 15 to 46 form an integral part of the consolidated financial statements. Report of the independent auditor - pages 5 and 6

Consolidated Statement of Financial Position for the year ended 31 December, 2014

	Notes	As at 31 December	
		2014 US \$ '000	2013 US \$ '000
Non-current assets			
Property, plant and equipment	12	158,849	187,836
Prepaid operating lease rentals	13	2,689	2,847
Intangible assets	14	12,272	12,272
		<u>173,810</u>	<u>202,955</u>
Current assets			
Inventories	16	172,937	300,024
Trade and other receivables	17	7,858	13,585
Cash and cash equivalents	18	12,317	20,062
Tax recoverable		-	2,442
		<u>193,112</u>	<u>336,113</u>
Total Assets		<u>366,922</u>	<u>539,068</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	7	22,000	22,000
Revaluation reserve	8	137,671	142,056
Retained earnings		81,203	65,936
Accumulated translation losses		(68,315)	(49,656)
Total equity		<u>172,559</u>	<u>180,336</u>
Non-current liabilities			
Deferred tax	11	33,935	38,366
		<u>33,935</u>	<u>38,366</u>
Current liabilities			
Borrowings	9	8,506	123
Provision for pension	10	837	1,020
Trade and other payables	19	149,187	319,223
Current tax payable	6(b)	1,898	-
		<u>160,428</u>	<u>320,366</u>
Total Liabilities		<u>194,363</u>	<u>358,732</u>
		<u>366,922</u>	<u>539,068</u>

The financial statements on pages 7 to 46 were approved and authorised for issue by the Board of Directors on _____ 2015 and were signed on its behalf by:

_____ DIRECTOR

_____ DIRECTOR

The notes on pages 15 to 44 form an integral part of the consolidated financial statements. Report of the independent auditor - pages 5 and 6

Company Statement of Financial Position for the year ended 31 December, 2014

	Notes	As at 31 December	
		2014	2013
		US \$ '000	US \$ '000
Non-current assets			
Investment in subsidiaries	15	51,331	54,690
Current assets			
Trade and other receivables	17	6	7
Cash and cash equivalents	18	75	19
		81	26
Total Assets		51,412	54,716
EQUITY AND LIABILITIES			
Equity			
Share capital	7	22,000	22,000
Accumulated losses		(12,719)	(10,352)
Shareholders' funds		9,281	11,648
Non-current liabilities			
Trade and other payables	19	42,069	43,021
		51,350	54,669
Current liabilities			
Trade and other payables	19	62	47
		51,412	54,716

The financial statements on pages 7 to 46 were approved and authorised for issue by the Board of Directors on _____ 2015 and were signed on its behalf by:

_____ DIRECTOR

_____ DIRECTOR

The notes on pages 15 to 44 form an integral part of the consolidated financial statements. Report of the independent auditor - pages 5 and 6

Consolidated Statement of Changes in equity for the year ended 31 December, 2014

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 2013						
At start of year		22,000	102,099	55,313	(50,901)	128,511
Transfer of excess depreciation	8	-	(2,441)	2,441	-	-
Deferred tax on transfer of excess depreciation	8	-	732	(732)	-	-
Total comprehensive income for the year		-	41,666	8,914	1,245	51,825
At end of year		<u>22,000</u>	<u>142,056</u>	<u>65,936</u>	<u>(49,656)</u>	<u>180,336</u>
Year ended 31 December 2014						
At start of year		22,000	142,056	65,936	(49,656)	180,336
Transfer of excess depreciation		-	(2,857)	2,857	-	-
Deferred tax on transfer of excess depreciation		-	727	(727)	-	-
Balance adjustment of GRL				315		315
Transfer to retained earning from revaluation reserve on disposal of PPE			(2,255)	2,255		-
Total comprehensive income for the year		-	-	10,567	(18,659)	(8,092)
At end of year		<u>22,000</u>	<u>137,671</u>	<u>81,203</u>	<u>(68,315)</u>	<u>172,559</u>

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

The notes on pages 15 to 46 form an integral part of the consolidated financial statements. Report of the independent auditor - pages 5 and 6.

Company Statement of Changes in equity for the year ended 31 December, 2014

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
	US \$ '000	US \$ '000	US \$ '000
Year ended 31 December 2013			
At start of year	22,000	(9,200)	12,800
Loss/Total comprehensive loss for the year	-	(1,152)	(1,152)
At end of year	22,000	(10,352)	11,648
Year ended 31 December 2014			
At start of year	22,000	(10,352)	11,648
Loss/Total comprehensive loss for the year	-	(2,367)	(2,367)
At end of year	22,000	(12,719)	9,281

The notes on pages 15 to 46 form an integral part of the consolidated financial statements. Report of the independent auditor - pages 5 and 6.

Consolidated Statement of Cash Flows for the year ended 31 December, 2014

	Notes	2014	2013
		US \$ '000	US \$ '000
Operating activities			
Cash (used in)/from operations	20	(10,557)	(14,714)
Interest paid	5	(711)	(229)
Tax paid	6(b)	(4,509)	(6,127)
Net cash (used in)/from operating activities		<u>(15,777)</u>	<u>(21,070)</u>
Investing activities			
Purchase of property, plant and equipment	12	(3,260)	(4,119)
Proceeds from disposal of property, plant and equipment		2,822	2,600
Net cash used in investing activities		<u>(438)</u>	<u>(1,519)</u>
(Decrease)/increase in cash and cash equivalents		<u>(16,215)</u>	<u>(22,589)</u>
Movement in cash and cash equivalents			
At start of year		19,939	40,576
(Decrease)/increase		(16,215)	(22,589)
Effect of foreign exchange differences on consolidation of foreign subsidiaries		2,043	1,407
Foreign exchange gain	5	(1,956)	545
At end of year	18	<u>3,811</u>	<u>19,939</u>

The notes on pages 15 to 46 form an integral part of the consolidated financial statements. Report of the independent auditor - pages 5 and 6.

Company Statement of Cash Flows for the year ended 31 December, 2014

	Notes	2014 US \$ '000	2013 US \$ '000
Operating activities			
Cash from operations	20	(2,205)	1,138
Interest paid	5	(1,098)	(1,121)
Net cash from operating activities		<u>(3,303)</u>	<u>17</u>
Investing activities			
Impairment of investment		2,558	
Proceeds from gain on disposal of investment		801	
Net cash used in investing activities		<u>3,359</u>	
(Decrease)/increase in cash and cash equivalents		<u>56</u>	
Movement in cash and cash equivalents			
At start of year		19	2
Increase		56	17
Effect of exchange rate changes		-	-
At end of year	18	<u>75</u>	<u>19</u>

The notes on pages 15 to 44 form an integral part of the consolidated financial statements. Report of the independent auditor - pages 5 and 6.

Notes to the Financial Statements for the year ended 31 December, 2014

1. LEGAL FORM AND PRINCIPAL ACTIVITY

Gulf Africa Petroleum Corporation (the “Company”) has been incorporated in the Republic of Mauritius as a public company limited by shares in accordance with 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, TwentyEight, Cybercity, Ebene, Mauritius.

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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 2014. 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
- 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 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
- 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

Notes to the Financial Statements for the year ended 31 December, 2014

- 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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

(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.

(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.

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.

Notes to the Financial Statements for the year ended 31 December, 2014

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:

	Gapco Uganda Limited	Gapco Tanzania Limited	Gapco Rwanda Limited
	Rate %	Rate %	Rate %
Buildings	4	2 - 4	4
Plant, equipment and machinery	4 - 20	5 - 10	10
Motor vehicles	12.5 - 20	12.5 - 20	20
Furniture and fittings	5	10	15-16.7
	Gapoil Zanzibar Limited	Transenergy Kenya Limited	
	Rate %	Rate %	
Buildings	4 - 10	-	
Plant, equipment and machinery	5 - 10	12.5	
Motor vehicles	12.5 - 20	-	
Furniture and fittings	10	-	

Leasehold is depreciated over the remaining period of the lease.

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.

Capital work in progress mainly comprises construction of storage facilities 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.

Notes to the Financial Statements for the year ended 31 December, 2014

- 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 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 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 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.

(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:

Notes to the Financial Statements for the year ended 31 December, 2014

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.

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.

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.

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 under administrative expenses when there is objective evidence that the group 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.

- Financial liabilities

Initial recognition and 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 under finance costs.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated 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 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.

Subsequent measurement

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 reporting date.

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.

Notes to the Financial Statements for the year ended 31 December, 2014

(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.

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

(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 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.

- 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 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) Share capital

Ordinary shares are classified as equity.

(p) 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.

(q) 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 standards and amendments to published standards effective for the year ended 31 December 2014

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.
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Notes to the Financial Statements for the year ended 31 December, 2014

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 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; and
- 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 group is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014).

Amendments to IAS 32 Offsetting 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 realization and settlements'. The amendments have been applied retrospectively.

As the group 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 recognized in the group's financial statements.

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

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill of 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.

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

The amendments to IAS 39 provide relief from the requirement to discounting hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change 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 group 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 recognized in the group's financial statements.

IFRIC Levies 21

IFRIC 21 addresses the issue as to when to recognize 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 bases 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 recognized in the group's financial statements.

Notes to the Financial Statements for the year ended 31 December, 2014

	Effective for annual periods beginning on or after
New and Amendments to standards	
IFRS 9	1 January 2018
IFRS 15	1 January 2017
Amendments to IAS 16 and IAS 38	1 January 2016
Amendments to IFRS 11	1 January 2016
Amendments to IFRS's Annual improvements 2010 – 2012 cycle	1 July 2014
Amendments to IFRS's Annual improvements 2011 -2013 cycle	1 July 2014
(ii) Impact of relevant new and amended standards and interpretations on the financial statements for the year ended 31 December 2014 and future annual periods	

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only divided income generally recognized in profit or loss.
- 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 group anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed by the group.

IFRS 15 Revenue from Contracts with Customers

In May 2014, 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, 2014

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. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

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 group calculates depreciation on a straight line basis to write down the cost/valuation of each asset, to its residual value over its estimated useful life. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

The directors of the group do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the group’s financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below:

- The amendments to IFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.
- The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

Notes to the Financial Statements for the year ended 31 December, 2014

- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
- The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors do not anticipate that the application of these amendments will have a significant impact on the group's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- the property meets the definition of investment property in terms of IAS 40; and
- the transaction meets the definition of a business combination under IFRS 3

The directors do not anticipate that the application of these amendments will have a significant impact on the group's financial statements.

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 disclosure of contingent liabilities. Uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset 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 effect 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 Company is 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, events and conditions.

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

Notes to the Financial Statements for the year ended 31 December, 2014

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.

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 23.

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 foreseeable future and as a result the financial statements are prepared on a going concern basis.

These financial statements comply with the requirements of the Mauritius Companies Act 2001

1. REVENUE	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Sale of goods and services	2,292,423	2,662,529	-	-
2. OTHER OPERATING INCOME	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Throughput fees	7,291	6,782	-	-
Gain on disposal of property, plant and equipment	88	1,808	-	-
Gain on disposal of investment	1,366	-	1,366	-
Miscellaneous income	1,201	1,205	-	-
	9,946	9,795	1,366	-

Notes to the Financial Statements for the year ended 31 December, 2014

3. OPERATING PROFIT	Group		Company	
	2014	2013	2014	2013
	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 12)	8,025	7,084	-	-
Amortisation of prepaid operating lease rentals (Note 13)	158	158	-	-
Impairment of investment in subsidiary	-	-	2,558	-
Cost of inventories expensed	2,256,980	2,629,479	-	-
Audit fees	177	127	52	45
Staff costs (Note 4)	6,018	5,469	-	-
Operating lease rentals	823	861	-	-
	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
	<u>2,256,980</u>	<u>2,629,479</u>	<u>-</u>	<u>-</u>
	<u>177</u>	<u>127</u>	<u>52</u>	<u>45</u>
	<u>6,018</u>	<u>5,469</u>	<u>-</u>	<u>-</u>
	<u>823</u>	<u>861</u>	<u>-</u>	<u>-</u>
	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
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	<u>177</u>	<u>127</u>	<u>52</u>	<u>45</u>
	<u>6,018</u>	<u>5,469</u>	<u>-</u>	<u>-</u>
	<u>823</u>	<u>861</u>	<u>-</u>	<u>-</u>
	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
	<u>2,256,980</u>	<u>2,629,479</u>	<u>-</u>	<u>-</u>
	<u>177</u>	<u>127</u>	<u>52</u>	<u>45</u>
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	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
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	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
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	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
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	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
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	<u>823</u>	<u>861</u>	<u>-</u>	<u>-</u>
	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
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	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
	<u>2,256,980</u>	<u>2,629,479</u>	<u>-</u>	<u>-</u>
	<u>177</u>	<u>127</u>	<u>52</u>	<u>45</u>
	<u>6,018</u>	<u>5,469</u>	<u>-</u>	<u>-</u>
	<u>823</u>	<u>861</u>	<u>-</u>	<u>-</u>
	<u>8,025</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
	<			

Notes to the Financial Statements for the year ended 31 December, 2014

The tax on the Group's/company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic rate as follows:

	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Profit/(loss) before tax	17,452	15,263	(2,367)	(1,152)
Tax calculated at a tax rate applicable to the profits of the countries concerned	5,946	4,960	(71)	(35)
Tax effect of:				
- income not subject to tax	332	182	(41)	-
- prior year under provision of corporation tax	2,026	389	-	-
- expenses not deductible for tax purposes	(1,419)	818	112	35
Tax charge	6,885	6,349	-	-

The reconciliation of the actual tax charge with the tax at the domestic rates applicable to profits in the countries concerned is as follows:

Mauritius

The company is subject to income tax in Mauritius at 15% on taxable profits. It is however entitled to a 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 minimum of 3%.

Tanzania (including Zanzibar)

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

Kenya

Tax rate is 30% on taxable profits. Dividend payments are subject to withholding tax at 10% for non residents.

Uganda

Tax rate is 30% on taxable profits. Dividend payments are subject to withholding tax at 15% for non residents.

(b) Current tax payable/(recoverable)

	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
At start of year	(2,442)	(3,018)	-	-
Charge for the year	6,660	6,387	-	-
Over provision prior period	2,189	316	-	-
Tax paid during the year	(4,509)	(6,127)	-	-
At end of year	1,898	(2,442)	-	-

7. SHARE CAPITAL

Issued and fully paid:

22,000 (2013: 22,000) ordinary shares of USD 1,000 each

Group and Company	
2014	2013
US \$ '000	US \$ '000
22,000	22,000

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

Notes to the Financial Statements for the year ended 31 December, 2014

8. REVALUATION RESERVE

	Group and Company	
	2014	2013
	US \$ '000	US \$ '000
At start of year	142,056	102,099
Transfer of excess depreciation	(2,857)	(2,441)
Deferred tax on transfer of excess depreciation	727	732
Revaluation gains on property, plant and equipment	0	55,007
Deferred tax on revaluation of property, plant and equipment	-	(13,341)
Disposal of revalued portion of PPE	(2,255)	
At end of year	137,671	142,056

The revaluation reserve represents the surplus on the revaluation of property, plant and equipment, net of deferred tax of Gapco Kenya Limited, Gapco Uganda Limited and Gapco Tanzania Limited.

Gapco Kenya Limited

Land, Buildings, storage tanks and plant and machinery were 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 profit or loss and other comprehensive income.

Gapco Tanzania Limited

Buildings and plant and machinery were revalued on 31 December 2013 by Messers 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 profit or loss and other comprehensive income.

Gapco Uganda Limited

Buildings and plant and machinery were revalued on 31 December 2010 by Messers 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 other comprehensive income.

9. BORROWINGS

	Group		Company	
	2014	2013	2014	2013
The borrowings are made up as follows:	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Current				
Bank overdraft (Note 18)	8,506	123	-	-

Bank overdraft

Bank borrowings are secured by:

- Floating charge over current assets (present and future) of the company covering credit facility from Standard Chartered bank Tanzania limited.
- Legal charged over 7 properties total amounting to TZS 7.76 billion covering facilities for National Bank of Commerce Limited.

	Group and Company	
	2014	2013
Undrawn facilities as at the reporting date were as follows:	US \$ '000	US \$ '000
Bank borrowings	44,510	47,937

Notes to the Financial Statements for the year ended 31 December, 2014

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

	Group		Company	
	2014	2013	2014	2013
Weighted average effective interest rates at the reporting date were:	%	%	%	%
Bank overdraft	3.25-13.00	3.25 - 13.00	-	-
Loan from related party	-	-	4.00	4.00

The fair values of current borrowings equal to their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the weighted average rates mentioned above.

In the opinion of the directors, it is impracticable to assign fair values to the group and company's long-term liabilities due to liability to forecast interest rate and foreign exchange rate changes.

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 and Company	
	2014	2013
	US \$ '000	US \$ '000
United States Dollars	8,409	-
Tanzanian Shillings	97	123
	8,506	123

A change in the exchange rate United States Dollars/Tanzanian Shillings is not expected to have a material impact on the financial statements

10. PROVISION FOR PENSION

	Group and Company	
	2014	2013
	US \$ '000	US \$ '000
Pension benefit	837	1,020

The fund has no separately identified plan assets.

11. DEFERRED TAX

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

	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
At start of year	38,366	25,217	-	-
Charge/(credit) to profit or loss (Note 6(a))	(1,801)	(427)	-	-
Charge to other comprehensive income	-	13,341	-	-
Translation reserve	(2,630)	235	-	-
At end of year	33,935	38,366	-	-

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

Notes to the Financial Statements for the year ended 31 December, 2014

Group	At start of year	Translation reserve	Charge to other comprehensive income	Charge/(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	40,277	(2,630)	-	(747)	36,900
Unrealised exchange differences	108	-	-	61	169
	40,385	(2,630)	-	(686)	37,069
Deferred tax (assets)					
Other temporary timing differences	(2,019)	-	-	(1,115)	(3,134)
Net deferred tax liability	38,366	(2,630)	-	(1,801)	33,935

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Plant, equipment and machinery	Motor vehicles	Furniture and fittings	Furniture and fittings	Total
Group - Year 2014	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
At start of year	80,309	137,889	602	808	3,733	223,341
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	122,073	543	889	3,050	199,173
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)
Reclassified						
Charge for the year	2,759	5,143	47	76	-	8,025
At end of year	12,573	26,966	445	340	-	42,324
Net book value	60,045	95,107	98	549	3,050	158,849

Details on revaluation are as per Note 8 of these financial statements.

	Leasehold land and buildings	Plant, equipment and machinery	Motor vehicles	Furniture and fittings	Furniture and fittings	Total
Group - Year 2013	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
At start of year	49,870	112,040	418	440	2,455	165,223
Additions	114	69	-	33	3,903	4,119
Transfer from capital work in progress	1,088	1,518	-	19	(2,625)	-
Reclassified	(1,042)	493	218	331	-	-
Disposals	(456)	(503)	(34)	(15)	-	(1,008)
Surplus on revaluation	30,735	24,272	-	-	-	55,007
At end of year	80,309	137,889	602	808	3,733	223,341

Notes to the Financial Statements for the year ended 31 December, 2014

Depreciation						
At start of year	9,241	18,586	413	397	-	28,637
On disposal	(59)	(113)	(32)	(12)	-	(216)
Reclassified	(59)	121	-	(62)	-	-
Charge for the year	1,710	5,236	54	84	-	7,084
At end of year	10,833	23,830	435	407	-	35,505
Net book value	69,476	114,059	167	401	3,733	187,836

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

	Leasehold land and buildings US \$ '000	Plant, equipment and machinery US \$ '000	Total US \$ '000
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
Year ended 31 December 2013			
Cost	27,293,418	67,645,597	94,939,015
Accumulated depreciation	(10,733,227)	(36,708,304)	(47,441,531)
Net book value	16,560,191	30,937,293	47,497,484

13. PREPAID OPERATING LEASE RENTALS

	Group	
	2014	2013
	US \$ '000	US \$ '000
Cost		
At start and at end of year	4,628	4,628
Amortisation		
At start of year	1,781	1,623
Charge for the year	158	158
At end of year	1,939	1,781
Net book value	2,689	2,847

14. INTANGIBLE ASSETS

	Group	
	2014	2013
	US \$ '000	US \$ '000
Goodwill (Note 14 (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	-	-

Notes to the Financial Statements for the year ended 31 December, 2014

b) Goodwill

At start and at end of year	<u>12,272</u>	<u>12,272</u>
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The carrying amount of the goodwill analysed by Cash Generating Unit (CGU) is as follows:

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	US \$ '000	US \$ '000
GAPCO Tanzania Limited	10,766	10,766
GAPCO Uganda Limited	1,506	1,506
	<u>12,272</u>	<u>12,272</u>

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% (2013: 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.

15. INVESTMENT IN SUBSIDIARIES

	<u>Company</u>	
	<u>2014</u>	<u>2013</u>
	US \$ '000	US \$ '000
At start and at end of year	<u>51,331</u>	<u>54,690</u>

15. INVESTMENT IN SUBSIDIARIES (Cont.)

<u>Name of entity</u>	<u>Class of Shares held</u>	<u>Country of incorporation</u>	<u>Direct Holding</u>	<u>Company</u>	
				<u>2014</u>	<u>2013</u>
				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	2,796
GAPCO Rwanda Limited	Ordinary	Rwanda	99.99%	0	801
				<u>51,331</u>	<u>54,690</u>

Indirect holding

GAPOIL (Zanzibar) Limited is a wholly owned subsidiary of GAPCO Tanzania Limited.

Notes to the Financial Statements for the year ended 31 December, 2014

16. INVENTORIES	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Petroleum products for sale	42,725	139,158	-	-
Goods in transit	130,212	160,866	-	-
	<u>172,837</u>	<u>300,024</u>	<u>-</u>	<u>-</u>

17. TRADE AND OTHER RECEIVABLES	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Current				
Trade receivables	6,091	10,419	-	-
Prepayments and other receivables	1,767	3,166	6	7
	<u>7,858</u>	<u>13,585</u>	<u>6</u>	<u>7</u>

In the opinion of the directors, the group and company's carrying amounts of the trade and other receivables approximate to 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 180 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):

	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Kenya Shillings	1,073	1,642	-	-
Tanzanian Shillings	1,113	2,490	-	-
Ugandan Shillings	1,532	375	-	-
Rwandese Franc	0	171	-	-
US Dollar	4,140	8,907	7	7
	<u>7,858</u>	<u>13,585</u>	<u>7</u>	<u>7</u>

Group

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

As of 31 December 2014, the group's trade receivables amounting to USD 0.774 million (2013: USD 1.631 million) were past due but not impaired. 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	
	2014	2013
	US \$ '000	US \$ '000
3 to 12 months	<u>774</u>	<u>1,631</u>

Individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations.

No classes within the group's trade and other receivables contain impaired assets.

The directors are of the opinion that the trade receivables are fully recoverable and that no provision is required.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The group does not hold any collateral as security.

Notes to the Financial Statements for the year ended 31 December, 2014

18. CASH AND CASH EQUIVALENTS	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Cash at bank and in hand	12,317	20,062	75	19

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following:

	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Cash at bank and in hand	12,317	20,062	75	19
Bank overdraft (Note 9)	(8,506)	(123)	-	-
	3,811	19,939	75	19

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

	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Kenya Shillings	7,813	9,727	-	-
Tanzanian Shillings	2,626	2,627	-	-
Rwandese Francs	0	296	-	-
Ugandan Shillings	898	357	-	-
US Dollar	980	7,055	75	19
	12,317	20,062	75	19

19. TRADE AND OTHER PAYABLES	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Non-current				
Payable to related party (Note 21 (iv))	-	-	42,069	43,021
Current				
Trade payables	24,872	32,327	-	-
Other payables	49,814	51,695	62	47
Payable to related party (Note 21 (iv))	74,501	235,201	-	-
	149,187	319,223	62	47
	149,187	319,223	42,131	43,068

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

The average credit period of trade payables is between 45 and 90 days. The group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Notes to the Financial Statements for the year ended 31 December, 2014

The maturity analysis of trade and other payables for the group and company is as follows:

2014	0 to 1 months	2 to 3 months	Over 3 months	Over 1 year	Total
Group	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Trade payables	9,034	14,614	1,224	-	24,872
Other payables	39,233	5,030	5,551	-	49,814
Payable to related party	74,501	0	0	-	74,501
	<u>122,768</u>	<u>19,644</u>	<u>6,775</u>	<u>-</u>	<u>149,187</u>
Company					
Other payables	-	-	62	-	62
Payable to related party	-	-	-	42,069	42,069
	<u>-</u>	<u>-</u>	<u>62</u>	<u>42,069</u>	<u>42,131</u>
2013	0 to 1 months	2 to 3 months	Over 3 months	Over 1 year	Total
Group	US \$ '000	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Trade payables	10,646	18,593	3,088	-	32,327
Other payables	29,628	16,215	5,852	-	51,695
Payable to related party	227,428	0	7,773	-	235,201
	<u>267,702</u>	<u>34,808</u>	<u>16,713</u>	<u>-</u>	<u>319,223</u>
Company					
Other payables	-	-	47	-	47
Payable to related party	-	-	-	43,021	43,021
	<u>-</u>	<u>-</u>	<u>47</u>	<u>43,021</u>	<u>43,068</u>

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	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Kenya Shillings	41,112	65,144	-	-
Tanzanian Shillings	25,942	9,933	-	-
Rwanda Franks	0	476	-	-
Ugandan Shillings	2,068	1,809	-	-
US Dollar	80,065	241,861	42,131	43,068
	<u>149,187</u>	<u>319,223</u>	<u>42,131</u>	<u>43,068</u>

Notes to the Financial Statements for the year ended 31 December, 2014

20. CASH (USED IN)/ FROM OPERATIONS	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
Reconciliation of profit/(loss) before tax to cash (used in)/from operations:				
Profit/(loss) before tax	17,452	15,263	(2,367)	(1,152)
Adjustments for:				
Depreciation on property, plant and equipment (Note 12)	8,025	7,084	-	-
Impairment of property, plant and equipment (Note 12)	-	-	-	-
Amortisation of prepaid operating lease rentals (Note 14)	158	158	-	-
(Gain) on disposal of property, plant and equipment (Note 2)	(1,454)	(1,808)	-	-
Interest expense (Note 5)	711	229	1,098	1,121
Provision for long term service dues and provision for pension	(183)	137	-	-
Foreign exchange (gain)/loss (Note 5)	1,956	(545)	-	-
Changes in working capital:				
- inventories	127,087	(61,083)	-	-
- trade and other receivables	5,727	2,995	1	(1)
- trade and other payables	(170,036)	22,856	(937)	1,170
Cash (used in)/from operations	(10,557)	(14,714)	(2,205)	1,138

21. RELATED PARTY DISCLOSURES

The following transactions were carried out with related parties:

	Group		Company	
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
i) Purchase of goods				
Ultimate Holding company	1,716,174	2,310,651	-	-
Management consultancy/ Business support/ IT support services/Royalty				
Ultimate Holding Company	960	968	-	-
Reliance Petro Marketing Limited	65	398	-	-
Reliance Corporate IT Park Limited	922	4,758	-	-
	1,947	6,124	-	-
ii) Interest paid to parent/subsidiaries (Note 5)	-	-	1,098	1,121

Notes to the Financial Statements for the year ended 31 December, 2014

	Company			
	2014	2013	2014	2013
	US \$ '000	US \$ '000	US \$ '000	US \$ '000
iii) Key management compensation				
Short term employee benefits	202	247	-	-
iv) Outstanding balances				
Trade payables to related party (Note 19)	74,501	235,201	42,069	43,021
Payables to related parties can be analysed as follows:				
Subsidiaries	-	-	42,069	43,021
Parent	74,501	235,201	-	-
	74,501	235,201	42,069	43,021

22. 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 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, Tanzanian Shilling and Rwandan Francs.

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

The company is not exposed for 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	2014				
	Kshs	Tshs	Ushs	Rwf	Total
Effect on post tax profit - (decrease)/increase	(5,190)	2,857	963	-	(1,370)
			2013		
	Kshs	Tshs	Ushs	Rwf	Total
Effect on post tax profit - (decrease)/increase	(18,225)	839	894	(90)	(16,582)

Notes to the Financial Statements for the year ended 31 December, 2014

- *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 2014, 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 (2013: USD NIL) lower, arising mainly as a result of higher interest expense on variable borrowings.

Company

At 31 December 2014, 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 (2013: USD 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.

(c) **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities 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 9 and 19 disclose the maturity analysis of borrowings and trade and other payables respectively.

23. Capital management

Capital structure

The capital structure of the group and the company consists of net debt, which includes the borrowings disclosed in Note 9 offset by cash and bank balances disclosed in Note 18 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 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 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.

Notes to the Financial Statements for the year ended 31 December, 2014

The gearing ratios at 31 December 2014 and 2013 were as follows:

	Group	
	2014	2013
	US \$ '000	US \$ '000
Total borrowings (Note 9)	8,506	123
Less: cash at bank and in hand (Note 18)	(12,317)	(20,062)
Net debt	N/A	N/A
Total equity	172,559	180,336
Gearing ratio	N/A	N/A

The company is not geared in 2014 as cash and cash equivalents exceeded borrowings.

24. CONTINGENT LIABILITIES

Gapco Kenya Limited

- i) Guarantees issued by banking institutions on behalf of the company:
Citibank N.A - USD 11,666,493 and Kshs. 100,000,000 (2013: USD 18,660,000 and Kshs. 90,000,000).
Bank of Baroda - Kshs 271,793,400 (2012: Kshs. 240000,000).

Gapco Tanzania Limited

- i) Guarantees issued by the banks on behalf of the company - Standard Chartered Bank of Tanzania Limited - Tshs 29,601,430,283 (2013: Tshs. 18,764,152,178)
- ii) Indemnity bonds issued to statutory authorities Tshs 25,020,000,000 (2013: Tshs: 24,010,000,000)
- iii) Claims against the company not acknowledged - Tshs. 402,991,513 (2013: Tshs. 1,619,662,838)

Gapco Uganda Limited

- i) Claims against the company not acknowledged - 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.

25. CAPITAL COMMITMENTS

The group has capital commitments amounting to USD 3,126,407 (2013: USD. 809,846).

26. 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.

27. PRESENTATION CURRENCY

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

28. 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.