

Gapoil (Zanzibar) Limited

Report of the Independent Auditor

**To the Shareholders of
Gapoil (Zanzibar) Limited**

Report on the financial statements

We have audited the accompanying financial statements of Gapoil (Zanzibar) Limited set out on pages 8 to 19, which comprise the statements of financial position as at 31 December 2014, 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 the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Zanzibar Companies Decree Cap 153, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 present fairly, in all material respects, the financial position of Gapoil (Zanzibar) Limited as at 31 December 2014, and its financial loss and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Zanzibar Companies Decree Cap 153.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Zanzibar Companies Decree Cap 153 and for no other purposes.

As required by the Zanzibar Companies Decree Cap 153 we report to you, based on our audit, that:

- (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- (iii) The Directors Report is consistent with the financial statements,
- (iv) Information specified by law regarding directors remuneration and transactions with the Company is disclosed; and
- (v) The Company's statement of financial position, statement of profit or loss and other comprehensive income are in agreement with the books of account;

**Deloitte & Touche
Certified Public Accountants (Tanzania)**

Signed by: David C. Nchimbi**2015**
Dar es Salaam

Statement of Profit or Loss Account and other Comprehensive Income for the year ended 31st December, 2014

	Notes	2014 TZS	2013 TZS
Revenue	3	20,868,000	19,116,000
Administrative expenses	4	(12,809,488)	(79,490,700)
Other operating expenses		<u>(12,520,800)</u>	<u>(11,469,600)</u>
Loss before tax	5	<u>(4,462,288)</u>	<u>(71,844,300)</u>
Income tax charge		-	-
Loss for the year		<u>(4,462,288)</u>	<u>(71,844,300)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u><u>(4,462,288)</u></u>	<u><u>(71,844,300)</u></u>

Statement of Financial Position as at 31 December, 2014

	Notes	2014 TZS	2013 TZS
ASSETS			
Non-current assets Property, plant and equipment	8	2,044,226,573	2,044,226,573
Current assets Trade and other receivables	7	159,492,000	138,624,000
TOTAL ASSETS		2,203,718,573	2,182,850,573
EQUITY AND LIABILITIES			
Equity			
Share capital	9	500,000,000	500,000,000
Convertible loan	10	1,922,289,471	1,922,289,471
Retained earnings		(419,814,144)	(415,351,856)
		2,002,475,327	2,006,937,615
Current liabilities			
Trade and other payables	11	198,243,246	172,912,958
Tax payable		3,000,000	3,000,000
		201,243,246	175,912,958
TOTAL EQUITY AND LIABILITIES		2,203,718,573	2,182,850,573

The financial statements are on pages 8 to 19 were approved and authorised for issue by the Board of Directors2015 and were signed on its behalf by:

.....
Subhasish Mukherjee
Director

.....
Vijay Govindan Kutty Nair
Director

Statement of Changes In Equity for the year ended 31st December, 2014

	Share capital TZS	Convertible loan TZS	Retained earnings TZS	Total TZS
Year ended 31 December 2013				
At start of year	500,000,000	1,732,689,471	(343,507,556)	1,889,181,915
Decrease during the year	-	189,600,000	-	189,600,000
Total comprehensive loss for the year	-	-	(71,844,300)	(71,844,300)
At end of year	<u>500,000,000</u>	<u>1,922,289,471</u>	<u>(415,351,856)</u>	<u>2,006,937,615</u>
Year ended 31 December 2014				
At start of year	500,000,000	1,922,289,471	(415,351,856)	2,006,937,615
Total comprehensive loss for the year	-	-	(4,462,288)	(4,462,288)
At end of year	<u>500,000,000</u>	<u>1,922,289,471</u>	<u>(419,814,144)</u>	<u>2,002,475,327</u>

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

	2014 TZS	2013 TZS
Operating activities		
Loss before tax	(4,462,288)	(71,844,300)
<i>Changes in working capital:</i>		
Increase in trade and other receivables	(20,868,000)	(138,624,000)
Increase in trade and other payables	25,330,288	20,868,300
Net cash used in operating activities	<u>-</u>	<u>(189,600,000)</u>
Financing activities		
Net increase in convertible loan	<u>-</u>	<u>189,600,000</u>
Net cash generated from financing activities	<u>-</u>	<u>189,600,000</u>
Increase in cash and cash equivalents	<u>-</u>	<u>-</u>
Movement in cash and cash equivalents		
At start of year	-	-
Increase	<u>-</u>	<u>-</u>
At end of year	<u><u>-</u></u>	<u><u>-</u></u>

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

1. GENERAL INFORMATION

The financial statements of the Gapoil (Zanzibar) Limited for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors as indicated on the statement of financial position. Registered place of business is indicated on page 1. The principal activities of the Company is that of trading of petroleum products and rented out its facilities.

2. ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS).

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

(i) *Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year*

Various standards, interpretations and amendments were effective in the period under review but had no effect on the Company's financial position.

(ii) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2014*

At the date of authorisation of these financial statements, several new and revised standards and interpretations were in issue but not yet effective. The directors anticipate that those standards and interpretations when effective will have no material impact on the financial statement of the Company.

(iii) *Early adoption of the standards*

The Company did not adopt any new or amended standards in 2014.

2.3 Significant accounting policies

(a) **Basis of Preparation**

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

The financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS), as modified by the revaluation of certain items of property, plant and equipment in the statement of financial position. The financial statements are presented in Tanzanian Shillings (TZS), except when otherwise indicated.

(b) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. Revenue is stated net of Value Added Tax (VAT), rebates and discounts.

-Rental income:

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

(c) **Foreign currencies**

-Functional and presentation currency:

Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Tanzania Shillings.

-Transactions and balances:

Transactions in foreign currencies during the year are converted into Tanzania Shillings (the functional currency) at rates ruling at the transaction dates. Assets and liabilities at the reporting date which are expressed in foreign currencies are

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

translated into Tanzania Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

d) Property, plant and equipment

Land is measured at market value, based on periodic, but at least quinquennial valuations by external independent valuers, less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. 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.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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

e) Financial instruments

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

-Financial assets

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

The Company's financial assets which include cash and bank balances and trade and other receivables fall into the following categories:

-Loans and receivables:

Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months 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. Changes in the carrying amounts are recognised in the profit or loss.

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

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

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the Company will not be able to collect all amounts due 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.

-Financial liabilities

The Company's financial liabilities which include borrowings, trade and other payables and current tax 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.

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

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

down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

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

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

-Offsetting financial instruments

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

f) Leases

-Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

-Company as a lessee

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

g) Taxation

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

Current tax

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

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.

h) Share capital

Ordinary shares are classified as equity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the 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, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

a) Key sources of estimation uncertainty

Management has made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities.

-Useful lives of 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.

b) Significant judgements made by management in applying the group's accounting policies

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

-Impairment of trade receivables

The group 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 cash flows expected.

-Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

-Provision for pending litigations

Management regularly reviews the status of the legal 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 process 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 the future outflow of resources will be required to settle obligations.

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

	2014 TZS	2013 TZS
3. REVENUE		
Rental income	20,868,000	19,116,000
	<u>20,868,000</u>	<u>19,116,000</u>
4. ADMINISTRATIVE EXPENSES		
Audit fees	9,868,635	9,398,700
Legal and professional fees	986,864	-
VAT expenses	1,953,989	-
Bad debts	-	70,092,000
	<u>12,809,488</u>	<u>79,490,700</u>
5. LOSS BEFORE TAXATION		
The following items hve been charged in arriving at the loss before taxation:		
Auditors' remuneration	9,868,635	9,398,700
Legal and professional fees	986,684	-
VAT expenses	1,953,989	-
Operating lease rentals	12,520,8000	11,469,600
Bad debts	-	70,092,000
	<u>12,520,8000</u>	<u>11,469,600</u>
6. TAX PAYABLE		
At start and end of the year	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>
7. TRADE AND OTHER RECEIVABLES		
Prepayment and deferred charges	159,492,000	138,624,000
	<u>159,492,000</u>	<u>138,624,000</u>

The carrying amounts of the trade and other receivables are denominated in Tanzanian Shillings.

Year ended 31 December 2014	Land Buildings TZS Million	Motor vehicles TZS Million	Equipments TZS Million	Total TZS Million
Cost or valuation				
At start and end of year	2,044,226,573	17,045,942	479,219,254	2,540,491,769
Depreciation				
At start and end of year	-	17,045,942	479,219,254	496,265,196
Net carrying amount	<u>2,044,226,573</u>	<u>-</u>	<u>-</u>	<u>2,044,226,573</u>

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

8. PROPERTY, PLANT AND EQUIPMENT (continued)

Year ended 31 December 2013	Land Buildings TZS Million	Motor vehicles TZS Million	Equipments TZS Million	Total TZS Million
Cost or Valuation				
At start and end of year	2,044,226,573	17,045,942	479,219,254	2,540,491,769
Depreciation				
At start and end of year	-	17,045,942	479,219,254	496,265,196
Net carrying amount	2,044,226,573	-	-	2,044,226,573

	2014 TZS	2013 TZS
9. SHARE CAPITAL		
<u>Authorised:</u>		
50,000 (2013: 50,000) shares of TZS. 10,000 each	500,000,000	500,000,000
<u>Issued and fully paid:</u>		
50,000 (2013: 50,000) shares of TZS. 10,000 each	500,000,000	500,000,000