GL AFRICA ENERGY LIMITED

Company No: 08721406

ANNUAL REPORT &

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

GL AFRICA ENERGY LIMITED
ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2015

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GL AFRICA ENERGY LIMITED
COMPANY INFORMATION

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DIRECTORS:	H Kariuki N Kariuki M K Mbaka R M Wardle (appointed 20 November 2015) M J Kearns (appointed 24 May 2016) E J W Maxwell (resigned 24 May 2016) D M R Jaffe (resigned 30 June 2015) C Bidel (resigned 20 November 2015) D C Vijselaar (resigned 20 November 2015)
REGISTRATION NUMBER:	08721406
REGISTERED OFFICE:	10 Norwich Street, London EC4A 1BD
AUDITOR:	Rawlinson & Hunter Audit LLP Statutory Auditor Chartered Accountants Eighth Floor 6 New Street Square New Fetter Lane London EC4A 3AQ

GL AFRICA ENERGY LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their Annual Report, consisting of the Strategic Report and the Directors' Report, and the Consolidated Financial Statements of GL Africa Energy Limited ("the company") for the year ended 31 December 2015. References to the "group" refer to the consolidated group, being the company and its subsidiary undertakings.

REVIEW OF BUSINESS AND PRINCIPAL ACTIVITIES

On 31 January 2014, the company acquired, as part of a share for share exchange, the entire share capital of G.L.E. Lakes Energy Company Limited, a company registered in Cyprus. As, due to this business combination, no change in ownership took place, the group accounted for this transaction in accordance with the predecessor value method ("PVM"). Under the PVM, the assets and liabilities of all combining entities are reflected in the Consolidated Financial Statements at their carrying amounts immediately prior to the business combination.

The results of G.L.E. Lakes Energy Company Limited and its subsidiary undertakings were included in the Consolidated Financial Statements when beneficial ownership was obtained by the company. For the avoidance of doubt, references to the year ended 31 December 2014 reflect the 11 months from 31 January 2014 to 31 December 2014 of the results of G.L.E. Lakes Energy Company Limited and its subsidiary undertakings and the full year of the company itself. The year ended 31 December 2015 therefore represents the first full year that the group was trading.

The group's principal activity continued to be the maintaining, operating and the utilisation of a heavy fuel oil (HFO) power plant located in Zambia, generating and selling electricity to the Zambian national electrical distributor, ZESCO Limited.

Financial performance and future prospects

The group made a profit of $14,134,652 during the year *(2014: $6,131,072)*. In particular, the directors are satisfied with the gross profit 78.52% *(2014: 73.14%)*, enabling the group to service its debts, the majority of which are payable to companies under common ownership of H Kariuki, the ultimate controlling party of the group (refer Note 17 for details).

Furthermore, the net asset value of the group was $31,024,653 *(2014: $16,890,001)* . The directors continue to invest in additional plant, property and equipment with the aim of increasing capacity at the power plant in Ndola, Zambia, to take advantage of anticipated long-term shortage of electrical supply in Zambia. The group has launched Phase II of the power plant, with the expectation of doubling the capacity of the plant to over 100MWh. To this end the group has invested $9,235,450 during the year *(2014: $1,435,293)* in additions to Plant, Property and Equipment.

Financial data and Key Performance Indicators ("KPIs")

The table below summarises the group's financial results and KPI's

KPI	2015	2014
Turnover	$29,792,663	$26,560,651
Net profit before tax percentage	47.44%	23.31%
Interest charges as a proportion of gross profit	21.30%	32.91%
Electrical output (kWh)	397,158,520	354,592,190 for 11 months

FINANCIAL RISK MANAGEMENT

The group's operations expose it to a variety of financial risks. The group manages its risk to limit the adverse effects on the financial performance of the group by monitoring those risks and acting accordingly.

GL AFRICA ENERGY LIMITED

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

FINANCIAL RISK MANAGEMENT (continued)

The monitoring of the financial risk management is the responsibility of the Board of Directors ("the Board"). The policies of the Board of directors are implemented by the group's finance department under specific guidelines.

Price risk

The group is exposed to fluctuations in global energy prices. Part of the group's contract with ZESCO Limited links the price the group is able to charge to the US PPI Index. The group has mitigated this exposure by ensuring that the majority of its income is linked to a capacity fee, charged at a price not linked to external markets.

Credit risk

The group has only one customer and has both a concentration risk and a credit risk. ZESCO Limited is a company owned by the Republic of Zambia and given the power shortfall that exists in that country, the Board believe that the risk of default is low.

Liquidity risk

The directors assess and review the group's liquidity position and funding requirements on a regular basis and this is an agenda item for its Board meetings. They consider that the group has sufficient liquidity to manage its current commitments.

Interest rate cash flow risk

The majority of the group's debts are on a fixed rate basis, thus minimising the group's exposure to increases in interest rate.

Currency risk

All debts are denominated in US$, being the functional and presentational currency of the group as this is the currency to which its selling price is linked. The group's main supplier invoices the group in Euro, whilst local payments in Zambia are made in Zambian Kwacha. The group minimises its exposure to currency fluctuations by maintaining bank accounts in US Dollar's ("$"), Euro and Zambian Kwacha.

FINANCIAL INSTRUMENTS

The group has a number of financial instruments, the main purpose of which are to finance the group's operations and minimise the group's exposure to risk. These comprise cash and liquid resources, long term debt, as well as other financial instruments such as receivables and payables that arise directly from its operations.

This report was approved by the Board and signed on its behalf.

Richard Wardle
Director

Date: 22/12/16

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the audited Consolidated Financial Statements for the year ended 31 December 2015.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the Consolidated Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the group's profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS

The directors who have served during the year and to the date of this report were as follows:

H Kariuki
N Kariuki
M K Mbaka
R M Wardle – appointed 20 November 2015
E J W Maxwell – appointed 20 November 2015 and resigned 24 May 2016
M J Kearns – appointed 24 May 2016
C Bidel – resigned 20 November 2015
D M R Jaffe – resigned 30 June 2015
D C Vijselaar – appointed 30 June 2015 and resigned 20 November 2015

REGISTERED OFFICE

10 Norwich Street, London, EC4A 1BD

COMPANY INFORMATION

The company is a company limited by shares, incorporated in England and Wales and is domiciled in the United Kingdom. The company is a holding company, which acquired subsidiary undertakings as part of a group restructure on 31 January 2014.

The company has three subsidiaries: G.L.E. Lakes Energy Company Limited (a company incorporated in Cyprus), Great Lakes Energy Company N.V. (incorporated in the Netherlands) and Ndola Energy Company Limited (incorporated in Zambia). The company has indirect ownership in all companies other than G.L.E. Lakes Energy Company Limited.

The results of these three subsidiaries are included in these Consolidated Financial Statements. Ndola Energy Company Limited is the only trading entity in the group, generating electricity which is supplied to ZESCO Limited, a Zambian state-owned company.

RESULT AND DIVIDENDS

The profit for the year, after taxation, amounted to $14,134,652 (*2014: $6,131,072*).
The directors recommend that no dividend is to be paid.

OTHER MATTERS

The directors have chosen, in accordance with Section 414C of the Companies Act 2006, to set out the following information, which would otherwise be required to be contained in the Directors' Report, in the Group Strategic Report:

- Review of business, including future developments; and
- Financial instruments.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

We, the directors of the company who held office at the date of approval of these Consolidated Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the group and company's auditors are unaware; and

- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information needed by the group and company's auditors in connection with preparing their report and to establish that the auditors are aware of that information.

This information is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

AUDITORS

The auditors, Rawlinson & Hunter Audit LLP, have expressed their willingness to continue in office. A resolution proposing their re-appointment will be presented at a meeting of the members.

This report was approved by the board and signed on its behalf.

Richard Wardle
Director

Date:

22/12/2016

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GL AFRICA ENERGY LIMITED FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the Consolidated Financial Statements of GL Africa Energy Limited ("the company") and its subsidiary undertakings ("the group") for the year ended 31 December 2015, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GL AFRICA ENERGY LIMITED FOR THE YEAR ENDED 31 DECEMBER 2015 (Continued)

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Group Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Rawlinson & Hunter Audit LLP

David Davies (Senior Statutory Auditor)
for and on behalf of
Rawlinson & Hunter Audit LLP

Statutory Auditor
Chartered Accountants

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ
Date: 22 DEC 2016

GL AFRICA ENERGY LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015	2014
		$	$
Revenue	2,3	**29,792,663**	26,560,651
Cost of sales		**(6,399,604)**	(7,134,990)
Gross profit		**23,393,059**	19,425,661
Other operating income	4	**22,396**	38,256
Administrative expenses		**(4,520,574)**	(6,832,577)
Profit from operations	5	**18,894,881**	12,631,340
Finance costs	7	**(4,760,229)**	(6,440,217)
Profit before taxation		**14,134,652**	6,191,123
Income tax	9	**-**	(60,051)
Profit and total comprehensive income		**$14,134,652**	$ 6,131,072

The result for the period is wholly attributable to continuing activities.

The notes on pages 13 to 28 form part of these financial statements.

GL AFRICA ENERGY LIMITED
(Company registration number: 08721406)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015	2014 Restated*
		$	$
Non-current assets			
Property, plant and equipment	10	**68,810,479**	62,504,542
Current assets			
Trade and other receivables	13	**11,616,442**	12,400,410
Cash and cash equivalents	15	**7,728,539**	5,737,744
Total current assets		**19,344,981**	18,138,154
TOTAL ASSETS		**$88,155,460**	$80,642,696
Equity			
Share capital	18	**10,000**	10,000
Share premium	18	**11,228,110**	11,228,110
Retained earnings	19	**19,786,543**	5,651,891
		31,024,653	16,890,001
Non-current liabilities			
Long-term borrowings	16	**32,309,755**	43,323,527
Environmental provision	20	**215,380**	-
		32,525,135	43,323,527
Current liabilities			
Trade and other payables	14	**19,865,626**	14,928,286
Borrowings	16	**4,668,687**	5,423,358
Current tax payable		**71,359**	77,524
Total current liabilities		**24,605,672**	20,429,168
Total liabilities		**57,130,807**	63,752,695
TOTAL EQUITY AND LIABILITIES		**$88,155,460**	$80,642,696

These financial statements were approved and authorised for issue by the Board on 22 DEC 2016

Signed on behalf of the board of directors

Richard Wardle
Director

* Refer to Note 21 for details of the restatement

The notes on pages 13 to 28 form part of these financial statements.

GL AFRICA ENERGY LIMITED
(Company registration number: 08721406)

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 $	2014 $
ASSETS			
Non-current assets			
Investments	12	**2,710**	2,710
Total non-current assets		**2,710**	2,710
Current assets			
Trade and other receivables	13	**11,235,400**	11,235,400
Total current assets		**11,235,400**	11,235,400
TOTAL ASSETS		**$11,238,110**	$11,238,110
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**10,000**	10,000
Share premium	18	**11,228,110**	11,228,110
Retained earnings	19	**(249,768)**	(94,500)
Total equity		**10,988,342**	11,143,610
Current liabilities			
Trade and other payables	14	**249,768**	94,500
Total current liabilities		**249,768**	94,500
Total liabilities		**249,768**	94,500
TOTAL EQUITY AND LIABILITIES		**$11,238,110**	$11,238,110

These financial statements were approved and authorised for issue by the Board on 22 DEC 2016

Signed on behalf of the board of directors

Richard Wardle
Director

The notes on pages 13 to 28 form part of these financial statements.

GL AFRICA ENERGY LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity
	$	$	$	$	$
Acquired on 31 January 2014	1	-	(1,002,062)	(2,595,062)	(3,597,123)
Issue of Ordinary Shares	9,999	11,228,110	-	-	11,238,109
Movement in foreign currency translation reserve				(1,484,759)	(1,484,759)
Profit for the period	-	-	6,131,072	-	6,131,072
Balance at 31 December 2014 (as previously reported)	**$10,000**	**$11,228,110**	**$5,129,010**	**$(4,079,821)**	**$12,287,299**
Prior period adjustment (Note 21)	-	-	522,881	4,079,821	4,602,702
Balance at 31 December 2014 (restated)	**$10,000**	**$11,228,110**	**$5,651,891**	**$-**	**$16,890,001**
Profit for the year	-	-	14,134,652	-	14,134,652
Balance at 31 December 2015	**$10,000**	**$11,228,110**	**$19,786,543**	**$-**	**$31,024,653**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity
	$	$	$	$	$
Balance at 1 January 2014	1	-	-	-	1
Issue of Ordinary Shares	9,999	11,228,110	-	-	11,238,109
Loss for the year	-	-	(94,500)	-	(94,500)
Balance at 31 December 2014	**$10,000**	**$11,228,110**	**$(94,500)**	**-**	**$11,143,610**
Loss for the year			(155,268)	-	(155,268)
Balance at 31 December 2015	**$10,000**	**$11,228,110**	**$(249,768)**	**-**	**$10,988,342**

The notes on pages 13 to 28 form part of these financial statements.

GL AFRICA ENERGY LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 $	2014 $
Cash flow from operating activities			
Profit on ordinary activities before taxation		**14,134,652**	6,191,123
Adjustments to reconcile profit for the year to net cash flows from operating activities			
Depreciation	10	**2,929,513**	1,986,075
Interest expenses	7	**4,982,657**	6,393,647
Working capital adjustments:			
Decrease / (increase) in trade and other receivables		**783,968**	(12,400,410)
Increase in current liabilities		**4,937,340**	14,928,286
Net cash flows from operating activities		**27,768,130**	17,098,721
Cash flows from investing activities			
Purchase of property, plant & equipment	10	**(9,026,235)**	(1,436,205)
Working capital acquired on acquisition of subsidiaries		**-**	(1,267,110)
Net cash used in investing activities		**(9,026,235)**	(2,703,315)
Cash flows from financing activities			
Repayment of borrowings	16	**(11,768,443)**	(2,264,015)
Interest paid		**(4,982,657)**	(6,393,647)
Net cash used in financing activities		**(16,751,100)**	(8,657,662)
Net increase in cash and cash equivalents		**1,990,795**	5,737,744
Cash and cash equivalents at beginning of the year		**5,737,744**	-
Cash and cash equivalents at end of year	15	**$7,728,539**	$5,737,744

No company Statement of Cash Flows has been prepared as there has been no cash flow movement in the company during the current or previous period.

The notes on pages 13 to 28 form part of these financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The consolidated financial statements of GL Africa Energy Limited (the "company") and its subsidiaries (collectively, the "group") for the year ended 31 December 2015 were authorised for issue by the Board on 22 DEC 2016

The principal activity of the company is that of a holding company. The group is in the business of maintaining, operating and the utilisation of a heavy fuel oil (HFO) power plant located in Zambia, generating and selling electricity to the Zambian national electrical distributor, ZESCO Limited.

The company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The registered office is located at 10 Norwich Street, London, EC4A 1BD.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention, except for certain financial assets measured at fair value.

The consolidated financial statements are presented in US Dollar's ("$"), the functional currency of the group.

The group prepared its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Business combinations

In business combinations where there is no effective change in ownership, the company applies the predecessor value method ("PVM"). Under the PVM, the assets and liabilities of all combining entities are reflected in the consolidated financial statements at their carrying amounts immediately prior to the business combination. As outlined in the Group Strategic Report on 31 January 2014 the company acquired the share capital of G.L.E. Lakes Energy Company Limited as part of a share for share exchange. As due to this business combination, no effective change in ownership took place, the company accounted for this transaction using the PVM.

Basis of consolidation

Subsidiaries are entities controlled by the company. Control, as defined by IFRS 10, is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee 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:

- Rights arising from other contractual arrangements; and
- The group's voting rights and potential voting rights.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the group gains control until the date the group ceases to control the subsidiary.

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 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

Significant accounting judgements and key sources of estimation uncertainty

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 disclosure of contingent liabilities at the date of the financial statements. If in the future such judgements, estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

The most significant accounting judgements and estimates relate to the following:

- **Depreciation**

Depreciation rates of non-current assets are based on industry standards and are reviewed on a regular basis. Given the nature of the business, it is unlikely that any non-current assets will be sold and so reviews of depreciation rates against profit/loss on disposal of a non-current asset is not feasible.

- **Environment provision**

It is difficult to estimate the actual costs which will be incurred and these will be dependent on this level of restoration eventually required, the technical solutions available to undertake the restoration and costs of those works at that time.

The valuation for the environmental restoration provision at 31 December 2015 was performed using the assumptions applied by an independent expert. The liability for restoration, rehabilitation and environmental obligations is undiscounted. The effect of discounting is considered immaterial. Further details about the environmental provision are provided in Note 20.

Revenue recognition

Revenue comprises the fair value of consideration received or receivable for the sale of electricity to the end user. Revenue is measured at the fair value of consideration receivable and is shown net of discounts and Value Added Tax (or its local equivalent). Revenue is recognised when the group has transferred all risks and rewards to the buyer and to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the Consolidated Statement of Comprehensive Income.

Great Lakes Energy Company N.V. has a presentational and functional currency different from the group's presentational and functional currency. Therefore its results and financial position are translated into the group's presentational currency as follows:

- Monetary assets and liabilities for the consolidated statement of financial position are presented at the closing rate at the date of that statement of financial position. Non-monetary items are measured at the exchange rate in effect at the historical transaction date and are not translated at the consolidated statement of financial position date;
- Income and expenses for the consolidated statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of the equity.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost of purchase or construction and are depreciated on a straight-line basis, except for land, which is not depreciated. Estimated useful lives of major classes of depreciable assets are as follows:

Buildings	16 years
Plant and machinery	25 years
Office equipment	3 years
Motor vehicles	4 years

Repairs and maintenance costs are recognised as expenses as incurred. Borrowing and other costs required to bring assets into use are capitalised. Assets acquired under finance leases are depreciated over their estimated useful lives. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs in accordance with the group's accounting policies. Depreciation is not recognised until the asset is brought into use.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value net of outstanding bank overdrafts . This definition is also used for the Consolidated Statement of Cash Flows.

Provisions

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money. A contingent liability is disclosed where the existence of the obligations will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income taxes include all taxes based upon the taxable profits of the company and group. Other taxes not based on income, such as property and capital taxes, are included within operating expenses or financial expenses according to their nature.

Deferred income tax is provided, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the financial statements. Deferred income tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

Borrowings

Borrowings are classified as originated loans and are recognised initially at an amount equal to the proceeds received, net of transaction costs incurred. In subsequent periods, they are stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for the intended use, are added to the cost of the asset until such time as the assets are substantially ready for their use. All other borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

Measurement of fair value

Fair value is the amount for which a financial asset, liability or instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. The group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair values at the end of the reporting period are approximately in line with their reported carrying values unless specifically mentioned in the notes to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits as incurred.

Financial instruments

The principal financial assets of the group are trade and other receivables and cash and cash equivalents. Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangement entered into and definitions of a financial liability and an equity instrument.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrevocable amounts are recognised in the Statement of Comprehensive Income when management considers the asset to be impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposit, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently measured at amortised cost.

Short & long term loans

Short term loans include all amounts due within twelve months of the balance sheet including instalments due on loans of longer duration. Long term loans include all amounts due more than twelve months after the Statement of Financial Position.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these consolidated financial statements there are no IFRS or IFRIC interpretations or amendments issued but not yet effective that would be expected to have a material impact on the group.

3. SEGMENT INFORMATION

All of the group's revenue arose from the supply of electricity within Zambia, being a continuing operation. There being one business segment, in one geographical location, segmental analysis of turnover is not felt to be appropriate.

4. OTHER OPERATING INCOME

	2016 $	2015 $
Sale of containers	**22,396**	38,256
	$22,396	$38,256

5. PROFIT FROM OPERATIONS

The profit from operations is stated after charging / (crediting):

	2016 $	2015 $
Company's auditor remuneration (gross of VAT)	**29,000**	46,700
Company's auditor's remuneration – non-audit (gross of VAT)	**12,000**	37,800
Depreciation of property, plant & equipment	**2,929,513**	1,986,075
Operating lease rentals of land and buildings	**60,000**	46,141

6. DIRECTORS' REMUNERATION

	2015 $	2014 $
The aggregate emoluments of the directors were:		
Management services – remuneration	**17,250**	12,694
	$17,250	**$12,694**

7. FINANCE COSTS

	2015 $	2014 $
Interest on bank overdrafts and loans	**835,671**	1,192,165
Interest on loans form related parties	**4,146,986**	5,201,482
Foreign exchange (gain) / loss	**(222,428)**	46,570
Total interest expense	**$4,760,229**	$6,440,217

8. STAFF COSTS

The average number of persons employed by the group, including directors, during the year was as follows:

	2015 Number	2014 Number
Administration	**14**	17
Management	**2**	2
Maintenance	**4**	2
	20	21

The total amount spent on employees' remuneration and welfare was as follows:

	2015 $	2014 $
Wages and salaries	**823,804**	754,853
	$823,804	$754,853

9. INCOME TAXES

	2015 $	2014 $
UK corporation tax charge on profit for the year	-	-
Foreign tax on income for the year	-	60,051
Total current tax	-	$60,051

The total charge for the year can be reconciled to the accounting profit as follows:

	2015 $	2014 $
Profit from operations	**14,134,652**	6,191,123
Income tax expense calculated at 20.00% (2014: 20.79%)	**2,826,930**	1,287,134
Effect of 0% tax incentive in subsidiary jurisdiction	**(2,826,930)**	(1,227,083)
Income tax expense recognised in profit or loss	-	$60,051

Factors that may affect future tax charges

On 18 November 2015, the 2015 Finance Bill received Royal Assent and so the previously announced reduced rate of UK corporation tax of 19% from 1 April 2017 to 31 March 2020 and 18% from 1 April 2020 onwards were substantively enacted. A deferred tax asset on company retained losses has not been recognised due to uncertainty over the availability of future profits.

The group's main operating entity has an agreement with the Zambia Development Agency, whereby the group receives a 100% corporate tax exemption until 2018, a 50% corporate tax exemption from 2018 until 2020 and a 25% corporate tax exemption from 2020 until 2021, in respect of its activities in Zambia.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and equipment $	Land and buildings $	Office equipment $	Motor vehicles $	Construction in progress $	Total $
Cost						
On formation of the group						
31 January 2014 (restated)	55,689,029	7,896,669	198,663	200,017	-	63,984,378
Additions (restated)	1,301,692	-	93,474	40,127	-	1,435,293
As at 31 December 2014 (restated)	56,990,721	7,896,669	292,137	240,144	-	65,419,671
Additions	216,311	104,190	13,480	-	8,901,469	9,235,450
At 31 December 2015	**57,207,032**	**8,000,859**	**305,617**	**240,144**	**8,901,469**	**74,655,121**
Depreciation						
On formation of the group						
31 January 2014 (restated)	480,436	369,418	40,783	38,417	-	929,054
Charge for the period	1,799,192	124,124	37,076	25,683	-	1,986,075
As at 31 December 2014 (restated)	2,279,628	493,542	77,859	64,100	-	2,915,129
Charge for the year	2,279,666	500,054	89,757	60,036	-	2,929,513
At 31 December 2015	**4,559,294**	**993,596**	**167,616**	**124,136**	**-**	**5,844,642**
Net book value						
At 31 December 2015	**$52,647,738**	**$7,007,263**	**$138,001**	**$116,008**	**$8,901,469**	**$68,810,479**
At 31 December 2014 (restated)*	$54,711,093	$7,403,127	$214,278	$176,044	$-	$62,504,542

* Refer to Note 21 for details of the restatement

11. NON CANCELLABLE OPERATING LEASE COMMITMENTS

Total commitments under non-cancellable operating leases were as follows

	2015 $	2014 $
Not later than 1 year	60,000	60,000
Later than 1 year and not later than 5 years	240,000	240,000
Later than 5 years	375,000	435,000
	$675,000	$735,000

12. INVESTMENTS

Company	2015 $	2014 $
Investments	2,710	2,710
	$2,710	$2,710

The following are subsidiary undertakings of the company:

Name	Country of incorporation	Business	Holding
G.L.E. Lakes Energy Company Limited	Cyprus	Holding company	100%
Great Lakes Energy Company N.V.*	Netherlands	Holding company	100%
Ndola Energy Company Limited*	Zambia	Generation and Supply of electricity	100%

* Indirect holding

All holdings are in the ordinary share capital of the undertakings concerned.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 $	*2014* *$*	2015 $	*2014* *$*
Trade receivables	11,240,604	5,670,109	-	-
Amounts receivable from related parties	59,893	152,902	-	-
Prepayments and accrued income	214,737	6,576,999	-	-
Other receivables	101,208	400	400	400
Amounts receivable from subsidiary undertakings	-	-	11,235,000	11,235,000
	$11,616,442	$12,400,410	$11,235,400	$11,235,400

14. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	*2014*	**2015**	*2014*
	$	$	**$**	$
Trade payables	**3,894,006**	1,885,262	**-**	-
Trade payables to related parties	**367,281**	2,167,135	**117,657**	-
Interest payable to related parties	**13,561,936**	9,414,950		
Other payables	**1,287,686**	1,123,528	**-**	-
Accruals	**754,717**	337,411	**132,111**	94,500
	$19,865,626	*$14,928,286*	**$249,768**	*$94,500*

15. CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the date of financial position as shown in the Statement of Cash Flows can be reconciled to the related items as follows:

Group	**2015**	2014
	$	$
Cash and bank balance	**7,792,214**	5,737,744
Bank overdraft	**(63,675)**	-
	$7,728,539	$5,737,744

16. BORROWINGS

Group	Current		Non-current	
	2015	*2014*	**2015**	*2014*
	$	$	**$**	$
Summary of borrowing arrangements				
Unsecured - at amortised cost				-
Loans from related parties	**1,650,000**	1,650,000	**24,000,000**	31,999,729
Secured - at amortised cost				
Other entities	**3,018,687**	3,773,358	**8,309,755**	11,323,798
				-
Total borrowings	**$4,668,687**	$5,423,358	**$32,309,755**	$43,323,527

The secured loans are secured against the group's plant, property and equipment. The fair value of borrowings equals their carrying amount, as the impact of discounting is not significant.

17. RELATED PARTY TRANSACTIONS

The following loans were owed to companies under the common control of H Kariuki (refer below) by the company and its subsidiaries:

Year ended 31 December 2015

	Loan payable ($)	Interest payable ($)	Interest charged for the year ($)
Dalbit International Limited	**24,000,000**	**12,517,464**	**3,906,986**
Dalbit Petroleum Limited	**200,000**	**129,370**	**30,000**
Sonia Finance Limited	**50,000**	**-**	**-**
Concordia Energy Group Limited	**1,400,000**	**915,102**	**210,000**
	$25,650,000	**$13,561,936**	**$4,146,986**

Year ended 31 December 2014

	Loan payable ($)	Interest payable ($)	Interest charged for the year ($)
Dalbit International Limited	31,999,729	8,610,478	4,981,482
Dalbit Petroleum Limited	200,000	99,370	27,500
Sonia Finance Limited	50,000	-	-
Concordia Energy Group Limited	1,400,000	705,102	192,500
	$33,649,729	$9,414,950	$5,201,482

The loan payable to Dalbit International Limited is not due until 31 December 2020 and attracts interest at 15%. All other loans are repayable on demand and attract interest at 15%, except Sonia Finance Limited which is interest free.

The company and the group also had the following trading balances with entities under common control of H Kariuki:

	2015 Balance owed to the group / (by the group) $	2014 Balance owed to the group / (by the group) $
Belgravia Services Limited	**(367,281)**	(2,165,135)
Dalbit International Limited	**59,893**	152,902

These balances are repayable on demand and no interest has been charged.

The group's ultimate controlling party is H Kariuki.

18. ISSUED CAPITAL

	Share capital		Share premium	
Group	**2015**	*2014*	**2015**	*2014*
	$	$	**$**	$
10,000,000 Ordinary share at $0.001 per share	**10,000**	10,000	**11,228,110**	11,228,110
Company				
10,000,000 Ordinary share at $0.001 per share	**10,000**	10,000	**11,228,110**	11,228,110

19. RETAINED EARNINGS AND DIVIDENDS

	2015	2014
	$	$
Group		
Balance at the beginning of the year	**5,129,010**	-
Prior year adjustment (Note 21)	**522,881**	-
Opening retained earnings (as restated)	**5,651,891**	-
On acquisition of subsidiary undertakings	-	(1,002,062)
Profit for the year	**14,134,652**	6,131,072
Balance at end of year	**$19,786,543**	$5,129,010

	2015	2014
	$	$
Company		
Balance at the beginning of the year	**(94,500)**	-
Loss for the year	**(155,268)**	(94,500)
	$(249,768)	$(94,500)

No dividends were declared or paid in the current or prior year.

20. ENVIRONMENTAL PROVISION

	2015 $	2014 $
Group		
Rehabilitation cost	**215,380**	-
	$215,380	-

The group's operating subsidiary, Ndola Energy Company Limited ("NECL"), is required at the end of the Power Purchase Agreement period to rehabilitate environmental disturbances caused by its operations. The restoration, rehabilitation and environmental provision represent the directors' best estimate of expenditure required to settle the obligation. NECL is expected to make contributions to the Environmental Protection Fund, controlled by the Department of Mines and Mineral Development, Zambia.

The valuation for the environmental restoration provision at 31 December 2015 was performed using the assumptions applied by an independent expert in calculating the provision for a similar plant (the Phase II plant project).

The timing of decommissioning payments is expected to occur when the land rental agreement expires in 2027. The liability for restoration, rehabilitation and environmental obligations is undiscounted as the effect of discounting is considered immaterial.

21. CORRECTION OF PRIOR YEAR ERROR

During the year, the company's subsidiary undertaking, Ndola Energy Company Limited, aligned its functional and reporting currency with that of the group. In doing so, a detailed review of foreign exchange rates used before the formation of the group on 31 January 2014 for historical assets was undertaken and inaccuracies identified and balances adjusted accordingly. There was no adjustment to the group profit for the 2014 year of $6,131,072, however group gross assets increased by $4,602,702 from those previously reported at 31 December 2014 of $76,039,994, with a corresponding increase to equity. A more detailed effect of this restatement is shown below:

Statement of financial position

	Impact of correction of error		
	As reported $	Adjustments $	**As restated $**
On acquisition on 31 January 2014			
Property, plant and equipment	58,451,710	4,603,614	**63,055,324**
Foreign currency translation reserve	(2,595,062)	2,595,062	-
Retained earnings	(1,002,062)	552,881	**(479,181)**
For the period to 31 December 2014			
Foreign currency translation reserve	(1,484,759)	1,484,759	-

22. FINANCIAL RISK MANAGEMENT

The group predominantly finances its operations through equity and long-term loans from entities under common control. Finance requirements are reviewed by the Board when funds are required for capital improvements or operational working capital requirements. Borrowings from third parties are reviewed and, if interest rates increase, will increase its debt from entities under common control to mitigate the group's risk.

The group's policy is to maintain a strong balance sheet so as to maintain confidence of stakeholders and sustain future development of the business. There were no changes to the group's capital management approach during the year.

22. FINANCIAL RISK MANAGEMENT (continued)

The treasury functions of the group are responsible for managing funding requirements and investments which includes banking and cash flow management, Treasury management ensures adequate liquidity at all times to meet cash requirements, as well as managing the group's foreign exchange exposure.

The group's financial instruments comprise cash and various items such as trade receivables and trade payables that arise directly from its operations, to maintain working capital, as well as borrowings to finance the capital requirements of the business.

The main risks arising from the group's financial statements are currency and liquidity risks. The Board reviews and agrees policies for managing each of these and is summarised below:

Currency risk

The group is exposed to currency risk on purchases and cash and cash equivalents denominated in a currency other than US dollar, primarily Euro and Zambian Kwacha ("ZMW"). The group mitigated this risk by holding bank accounts in Euro and ZMW as well as US dollar so that liabilities can be settled in the denomination in which it occurs. The group has ensured that all sales and borrowings are denominated in US dollars. The group does not use any hedging strategies.

The table below shows the extent to which the group has monetary assets and liabilities in currencies other than its functional currency:

	2015		2014	
	Euro	**ZMW**	Euro	ZMW
Cash and cash equivalents	**57,524**	**57,061**	15,080	3,527,541
Trade and other payables	**(3,352,419)**	**(6,420)**	(626,265)	(9,517,528)
Trade receivables	**-**	**-**	-	887,140
	(3,294,895)	**50,641**	(611,185)	(5,102,847)

Sensitivity analysis

A 10 percent strengthening of the USD against the Euro at 31 December 2015 would have increased the profit for the period and reduced the accumulated profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

Effect in USD

	2015 Profit	2014 Profit
10% on total exposure to currency risks (Euro)	**329,490**	6,112
10% on total exposure to currency risks (ZMW)	**5,064**	510,285

A 10 percent weakening of the USD against the above currencies at 31 December 2015 would have had the equal but opposite effect on the above currencies to the amounts shown.

22. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure that sufficient resources and flexibility is maintained to allow the company and group to meet its obligations without incurring unacceptable losses or risking damage to the Great Lakes name in the market place. The group manages liquidity risk by maintaining adequate banking facilities and continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements:

31 December 2015

Non-derivative financial liabilities	Carrying amount ($)	Contractual cash flows ($)	6 months or less ($)	6-12 months ($)	1-5 years ($)	Over 5 years ($)
Trade payables	3,894,006	3,894,006	3,894,006	-	-	-
Trade payable to related parties	367,281	367,281	367,281	-	-	-
Interest payable to related parties	13,561,936	13,561,936	13,561,936	-	-	-
Other payables	1,287,686	1,287,686	1,287,686	-	-	-
Accruals	754,717	754,717	754,717	-	-	-
Borrowings	36,978,442	36,978,442	3,018,687	1,650,000	32,309,755	-
Income tax	71,359	71,359	71,359	-	-	-

22. FINANCIAL RISK MANAGEMENT (continued)

31 December 2014

Non-derivative financial liabilities	Carrying amount ($)	Contractual cash flows ($)	6 months or less ($)	6-12 months ($)	1-5 years ($)	Over 5 years ($)
Trade payables	1,885,322	1,885,322	1,885,322	-	-	-
Amounts payable to related parties	2,167,135	2,167,135	2,167,135	-	-	-
Interest payable to related parties	9,414,950	9,414,950	9,414,950	-	-	-
Other payables	1,123,528	1,123,528	1,123,528	-	-	-
Accruals	337,411	337,411	337,411	-	-	-
Borrowings	48,746,885	48,746,885	3,914,013	1,509,345	11,323,799	31,999,728
Income tax	77,524	77,524	77,524	-	-	-

23. FAIR VALUES MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date

The fair values of the group's financial instruments, with the exception of investment in subsidiary which is carried at cost less impairment, are not materially different from their carrying values at the reporting date.

24. CONTINGENT LIABILITIES

A guarantee of $53,665 has been given to third parties with ECO Bank, Zambia *(2014: $Nil)*.

25. CAPITAL COMMITMENTS

There were no capital commitments at the end of the year *(2014: $Nil)*.

26. LOSS OF THE PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company was not presented as part of these financial statements. The parent company's loss for the financial year is $155,268 *(2014: $94,500)*.