PME African Infrastructure Opportunities plc

Annual Report

Year ended 31 December 2015

Contents

Directors and Advisers

Directors	Paul Macdonald (Executive Chairman) Lawrence Kearns (Executive Director) of the registered office below
Registered Office	Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB
Nominated Adviser	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Broker	Stifel Nicolaus Europe Limited 150 Cheapside London EC2V 6ET
Administrator and Registrar	Galileo Fund Services Limited Millennium House 46 Athol Street Douglas Isle of Man IM1 1JB
Auditor	PricewaterhouseCoopers LLC Sixty Circular Road Douglas Isle of Man IM1 1SA
Offshore Registrar	Capita Registrars (Jersey) Limited PO Box 532 St Helier Jersey JE2 3RT

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results for PME African Infrastructure Opportunities plc ("PME" or the "Company" and together with its subsidiaries the "Group") for the year ended 31 December 2015.

The remit of the Company's directors (the "Directors") under the Company's investing policy is to seek to realise the remaining assets of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders. In 2015 the Directors were able to achieve a significant milestone in the implementation of the Company's investing policy, with the sale of 100% of the equity of PME's wholly owned subsidiary, PME RSACO (Mauritius) Limited ("RSACO"), the Group entity which held the Group's 50% interest in Sheltam Holdings (Pty) Ltd, together with certain intercompany loans, and the disposal of seven C30 locomotives then owned by PME Locomotives (Mauritius) Limited ("PME Locomotives") for an aggregate consideration of US$11.5 million (the "Disposal"). At the same time, the Company also entered into a put option agreement in respect of the remaining three C30 locomotives owned by the Group. This put option is first exercisable by the Group in the last quarter of 2016.

A tender offer was successfully completed by the Company in November 2015. A total of 35,780,661 ordinary shares of US$0.01 each in the capital of the Company ("Ordinary Shares"), comprising 46.6 per cent. of the Ordinary Shares then outstanding, were validly tendered at a price of US$0.20 per Ordinary Share and were cancelled by the Company upon completion of the tender offer on 4 December 2015. The total number of remaining issued Ordinary Shares is 40,973,326.

Investments

The Disposal is reflected in these financial statements. Following the Disposal, the Company, through its wholly owned subsidiaries PME Locomotives and PME Properties Limited ("PME Properties"), continues to own three C30 locomotives and a commercial property in Dar-es-Salaam, Tanzania (the "Dar-es-Salaam Property").

PME Locomotives has a put option to require RSACO to purchase any one or more of the three C30 locomotives that it owns at exercise of the option for US$1,416,666 per locomotive (the "Option"). The Option is exercisable at any point during a 90 day period commencing on 6 November 2016 (the "Option Period").

Prior to and during the Option Period, RSACO has agreed to use its reasonable endeavours to secure for the Group third party buyers, for any one or more of the three C30 locomotives still owned by the Group. In consideration for this, PME Locomotives will pay to RSACO a sum equal to 50% of the amount by which any cash purchase price exceeds a hurdle price of US$1,500,000 per C30 locomotive. To date, there has been no enquiry for the purchase of any of the C30 locomotives.

PME Locomotives can expect a further US$4.25 million from exercising the Option for the three remaining C30 locomotives. Once the Option is exercised, completion of the sale of the relevant C30 locomotive or locomotives will take place within five business days.

The Dar-es-Salaam Property, which is managed by a local managing agent, is fully let and the investment continues to trade profitably. In 2010 PME Properties acquired the property from Dovetel (T) Limited ("Dovetel"), the Company's former telecommunication investment in Tanzania. Dovetel is also a tenant of part of the Dar-es-Salaam Property but has been in default on the payment of rent. As previously reported to shareholders, the Company served a winding-up petition on Dovetel in January 2013 and has separately been pursuing proceedings to evict Dovetel from the Dar-es-Salaam Property.

The Directors visited Tanzania in June 2015, November 2015 and March 2016 to review the legal strategy being followed in relation to Dovetel. As a result of this review, the Company will no longer continue to seek the winding up of Dovetel as this has restricted the eviction process. PME's lawyers have attended a number of status hearings on the withdrawal of the Dovetel winding up petition including two meetings in 2016 with a new judge. A further meeting is planned for April 2016 and the Directors expect this action to be successful to withdraw the winding up petition.

Following withdrawal of the winding up petition, the Directors intend to progress the eviction of Dovetel and the collection of outstanding debt due from Dovetel (provided it makes economic and legal sense to do so). The caveat on the land register obtained by Dovetel against the Dar-es-Salaam Property, which had been prohibiting the sale of the property, has expired.

Chairman's Statement (continued)

During the visits to Tanzania, the Directors reviewed the operational performance of the Dar-es-Salaam Property with the property manager. A number of necessary investments required to maintain the property in a good state have been carried out and continue to be carried out. There were also positive meetings with the three rent paying tenants.

The Directors have valued the Dar-es-Salaam Property at US$3.8 million to reflect the current legal uncertainty regarding Dovetel's occupation. The latest valuation by a local expert puts a market value of US$6.5 million on the building without taking into account this legal uncertainty.

Financial Results

The basis of preparation of the financial statements reflects the changes introduced in the prior year by IFRS 10. A more detailed explanation is given in note 2.1 to the financial statements. The results now reflect the Company's position and no longer a Group position.

The loss for the year to 31 December 2015 was US$2.1 million (2014: loss of US$16.6 million), representing US$0.0284 loss per Ordinary Share (2014: loss per Ordinary Share US$0.2169). The loss for the year was made up of a loss arising on the adjustment of the fair value of assets, operating and administrative costs including the cost of the tender offer and the remaining expenses associated with the Disposal.

The Directors, having considered the value achieved on the Disposal and the latest valuation of the Dar-es-Salaam Property, together with the current legal uncertainty regarding Dovetel's occupation of it, are of the opinion that the rail assets and the Dar-es-Salaam Property are reflected in the balance sheet at realistic fair values.

As at 31 December 2015, PME's Net Asset Value attributable to ordinary shareholders in accordance with IFRS was US$9.1 million (US$0.22 per share), compared to the US$18.3 million (US$0.24 per share) that was reported as at 31 December 2014.

Return of Cash and Outlook

The Directors intend to exercise the Option for the three remaining C30 locomotives in the last quarter of 2016. In addition the Directors expect to start the marketing process for the sale of the Dar-es-Salaam Property in the second half of 2016, provided the outstanding legal issues have been resolved, necessary repairs concluded and the space currently occupied by Dovetel has been relet.

Based on the results of these actions, the Directors anticipate that another tender offer will be proposed to shareholders in 2017.

Paul Macdonald
Chairman
21 April 2016

Report of the Directors

The Directors hereby submit their annual report together with the audited financial statements of PME for the year ended 31 December 2015.

The Company and its Investing Policy

The Company is incorporated in the Isle of Man and was established to invest in sub-Saharan African infrastructure and infrastructure related industries with a view to generating attractive returns, principally through capital growth. On 19 October 2012 the shareholders approved the revision of the Company's Investing Policy, which is now:

"The Directors of the Company will seek to realise the remaining assets of the Company at a time and under such conditions as the Directors may determine in order to maximise value on behalf of the shareholders of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders."

Results and Dividends

The results of the Company and position of the Company at the year-end are set out on pages 10 to 13 of the financial statements.

The Directors reserve the right to make dividend distributions to holders of Ordinary Shares if and when it is considered appropriate. In the year to 31 December 2015 the Directors declared and paid dividends of US$nil (2014: US$nil). A tender offer took place in November 2015 with up to 38,376,948 shares being available for tender at a price of US$0.20 per share. A total of 35,780,661 shares were validly tendered and were cancelled upon completion on 4 December 2015.

Directors

The Directors during the year and up to the date of this Report were as follows:

Paul Macdonald (Chairman)
Lawrence Kearns

Directors and Other Interests

Lawrence Kearns holds 37,000 Ordinary Shares in the Company. The Estate of the former Executive Chairman David von Simson holds 70,000 Ordinary Shares in the Company.

The Company entered into a secured loan agreement with Helvetica Deutschland GmbH ("Helvetica") in October 2014, see note 16, which was repaid in full in May 2015. Paul Macdonald holds 40% of Helvetica's issued share capital.

Save as disclosed above, none of the Directors had any interest during the year in any material contract for the provision of services which was significant to the business of the Company.

Independent Auditor

PricewaterhouseCoopers LLC, being eligible, has indicated its willingness to continue in office in accordance with Section 12(2) of the Isle of Man Companies Act 1982.

Corporate Governance

The Board of Directors recognises the importance of sound Corporate Governance and intends to comply with the Quoted Companies Alliance's Corporate Governance Guidelines for Small and Mid-Size Quoted Companies.

This report describes how the Company has applied these principles of Corporate Governance throughout the year.

Report of the Directors (continued)

The Board

The Board comprised two Executive Directors as at 31 December 2015. The Executive Directors are responsible for overseeing the effectiveness of the internal controls of the Company. These are designed to ensure that proper accounting records are maintained, that the financial information on which business decisions are made and which is issued for publication is reliable and that the assets of the Company are safeguarded. Following the termination of the investment manager of the Company in July 2012 the Executive Directors also took on the responsibility of managing the remaining assets of the Company.

Roles and Responsibilities

The Board as a whole is responsible for the Company's objectives and policies and the proper governance of the Company. It normally meets four times a year but also convenes at additional times when required.

The Board monitors the operating and financial results against plans and budgets, assesses the adequacy of risk management systems and monitors their application and ensures that the Company's obligations to its shareholders and others are understood and met.

The Company maintains directors' and officers' liability insurance which is reviewed annually to ensure that cover is held at an appropriate level.

Directors' appointment

All new directors appointed by the Board are required to seek election at the next general meeting of the Company following their appointment and subsequently all directors are required to retire by rotation in accordance with the Articles.

Board Committees

The Board has created and delegated certain specific areas of responsibility to three standing committees.

<u>Audit Committee</u>

The Audit Committee is chaired by Mr Kearns with Mr Macdonald as the other member. The Audit Committee formally meets at least twice a year and is responsible for ensuring that the financial performance of the Company is properly monitored and reported. This process includes reviews of annual and interim accounts, results announcements, internal control systems, procedures and accounting policies.

<u>Remuneration Committee</u>

The Remuneration Committee is chaired by Mr Kearns with Mr Macdonald as the other member. The Remuneration Committee is responsible for any required framework for the remuneration of the Executive Directors. The fees payable to the Chairman and the fees payable to other directors have been set. The Board of Directors undertakes, and will ensure, that no payment of value (whether by way of compensation, gift or otherwise) is made or received by the Board, PME or any other project company or their respective shareholders, officers, employees or affiliates which would improperly induce preferential treatment for these individuals or entities.

Report of the Directors (continued)

Management Engagement Committee

The Management Engagement Committee is chaired by Mr Kearns with Mr Macdonald as the other member. The Management Engagement Committee is responsible for reviewing the performance of service providers and to ensure that the Company's contracts with such parties are competitive and reasonable for the Company's shareholders.

On behalf of the Board

Paul Macdonald
Chairman
21 April 2016

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Isle of Man law.

Company law requires the Directors to prepare financial statements for each financial year. The Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper 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 to enable them to ensure that the financial statements comply with the Isle of Man Companies Acts 1931 to 2004. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Paul Macdonald
Chairman
21 April 2016

Report of the Independent Auditor

Report on the Financial Statements
We have audited the accompanying financial statements ('the financial statements') of PME African Infrastructure Opportunities plc (the "Company") which comprise the balance sheet as of 31 December 2015 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with applicable Isle of Man law and International Financial Reporting Standards as adopted by the European Union, 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 opinion on these financial statements based on our audit. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 15 of the Isle of Man Companies Act 1982 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion:

- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004.

Report of the Independent Auditor (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Isle of Man Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept by the Company or, proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's balance sheet and statement of comprehensive income are not in agreement with the books of account and returns; or
- we have not received all the information and explanations necessary for the purposes of our audit; and
- certain disclosures of directors' loans and remuneration specified by law have been complied with.

PricewaterhouseCoopers LLC
Douglas, Isle of Man
Chartered Accountants

21 April 2016

Statement of Comprehensive Income

	Note	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Net losses on financial assets at fair value through profit or loss	10	(441)	(13,553)
Dividend income		-	904
Operating and administration expenses	5	(1,110)	(1,192)
Project related expenses	6	(594)	(2,873)
Foreign exchange gain		65	84
Operating loss		**(2,080)**	**(16,630)**
Finance income	7	15	-
Finance costs	7	(36)	(16)
Loss before income tax		**(2,101)**	**(16,646)**
Income tax	8	-	-
Loss and total comprehensive expense for the year		**(2,101)**	**(16,646)**
Basic and diluted loss per share (cents) attributable to the equity holders of the Company during the year	**9**	**(2.84)**	**(21.69)**

The accompanying notes on pages 14 to 26 form an integral part of these financial statements

Balance Sheet

	Note	As at 31 December 2015 US$'000	As at 31 December 2014 US$'000
Assets			
Current assets			
Financial assets at fair value through profit or loss	10	7,856	19,560
Trade and other receivables	11	32	41
Cash and cash equivalents	12	1,331	144
Total current assets		**9,219**	**19,745**
Total assets		**9,219**	**19,745**
Equity and liabilities			
Equity			
Issued share capital	13	410	768
Capital redemption reserve	14	1,395	1,037
Retained earnings		7,271	16,528
Total equity		**9,076**	**18,333**
Current liabilities			
Secured loan	16	-	744
Trade and other payables	17	143	668
Total current liabilities		**143**	**1,412**
Total liabilities		**143**	**1,412**
Total equity and liabilities		**9,219**	**19,745**

The financial statements on pages 10 to 26 were approved and authorised for issue by the Board of Directors on 21 April 2016 and signed on its behalf by:

Paul Macdonald
Director

Lawrence Kearns
Director

Statement of Changes in Equity

	Share capital	Capital redemption reserve	Retained earnings	Total
	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2014	768	1,037	33,174	34,979
Comprehensive expense				
Loss for the year	-	-	(16,646)	(16,646)
Total comprehensive expense for the year	**-**	**-**	**(16,646)**	**(16,646)**
Balance at 31 December 2014	**768**	**1,037**	**16,528**	**18,333**
Balance at 1 January 2015	768	1,037	16,528	18,333
Comprehensive expense				
Loss for the year	-	-	(2,101)	(2,101)
Total comprehensive expense for the year	**-**	**-**	**(2,101)**	**(2,101)**
Transactions with owners				
Tender offer (notes 13 and 14)	(358)	358	(7,156)	(7,156)
Total transactions with owners	**(358)**	**358**	**(7,156)**	**(7,156)**
Balance at 31 December 2015	**410**	**1,395**	**7,271**	**9,076**

The accompanying notes on pages 14 to 26 form an integral part of these financial statements

Cash Flow Statement

	Note	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Cash flows from operating activities			
Purchase of financial assets – loans to investee companies	10	(237)	-
Proceeds from sale of financial assets – return of capital	10	11,500	-
Proceeds from sale of financial assets – repayment of loans to investee companies	10	-	452
Interest received		15	-
Interest paid	16	(36)	-
Dividends received		-	904
Operating expenses paid		(2,219)	(3,601)
Net cash generated from/(used in) operating activities		**9,023**	**(2,245)**
Financing activities			
Tender offer	13	(7,156)	-
Loan from third party	16	486	809
Repayment of loan from third party	16	(1,137)	-
Net cash (used in)/generated from financing activities		**(7,807)**	**809**
Net increase/(decrease) in cash and cash equivalents		**1,216**	**(1,436)**
Cash and cash equivalents at beginning of year		144	1,587
Foreign exchange losses on cash and cash equivalents		(29)	(7)
Cash and cash equivalents at end of year	12	**1,331**	**144**

The accompanying notes on pages 14 to 26 form an integral part of these financial statements

Notes to the Financial Statements

1 General Information

PME African Infrastructure Opportunities plc (the "Company") was incorporated and is registered and domiciled in the Isle of Man under the Isle of Man Companies Acts 1931 to 2004 on 19 June 2007 as a public limited company with registered number 120060C. The investment objective of PME African Infrastructure Opportunities plc and its subsidiaries (the "Group") was to achieve significant total return to investors through investing in various infrastructure projects and related opportunities across a range of countries in sub-Saharan Africa. On 19 October 2012 the shareholders approved the revision of the Company's investing policy which is now to realise the remaining assets of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders.

The Company's investment activities were managed by PME Infrastructure Managers Limited (the "Investment Manager") to 6 July 2012. No alternate has been appointed and the Board of Directors has assumed responsibility for the management of the Company's remaining assets. The Company's administration is delegated to Galileo Fund Services Limited (the "Administrator"). The registered office of the Company is Millennium House, 46 Athol Street, Douglas, Isle of Man, IM1 1JB.

Pursuant to its AIM admission document dated 6 July 2007, there was an original placing of up to 180,450,000 Ordinary Shares with Warrants attached on the basis of 1 Warrant for every 5 Ordinary Shares. Following the close of the placing on 12 July 2007, 180,450,000 Shares and 36,090,000 Warrants were issued. The Warrants lapsed in July 2012. The Shares of the Company were admitted to trading on AIM, a market of the London Stock Exchange, on 12 July 2007 when dealings also commenced.

Financial year end
The financial year end for the Company is 31 December in each year.

Dividends
In the year to 31 December 2015 the Company declared and paid dividends of US$nil (2014: US$nil). A tender offer took place in November 2015 with up to 38,376,948 shares being available for tender at a price of US$0.20 per share. A total of 35,780,661 shares were validly tendered and were cancelled upon completion on 4 December 2015.

Going concern
In assessing the going concern basis of preparation of the financial statements for the year ended 31 December 2015, the Directors have taken into account the status of current negotiations on the realisation of the remaining assets. The Directors consider that the Group has sufficient funds for its ongoing operations and therefore have continued to adopt the going concern basis in preparing these financial statements.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, and the requirements of the Isle of Man Companies Acts 1931 to 2004. The preparation of financial statements in conformity with IFRS requires the use of accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 10.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.1 Basis of preparation (continued)

In accordance with IFRS 10, 'Consolidated financial statements', the Directors have concluded that the Company falls under the definition of an investment entity because the Company has the following characteristics:

- the Company has obtained funds for the purpose of providing investors with investment management services;
- the Company's investing policy, which was communicated directly to investors, is investment solely for returns from capital appreciation and investment income; and
- the performance of investments is measured and evaluated on a fair value basis.

As a result, the Company does not consolidate its subsidiaries, instead it is required to account for these subsidiaries at fair value through profit or loss in accordance with IAS 39, 'Financial instruments: recognition and measurement' and prepares separate company financial statements only.

a) New and amended standards and interpretations adopted by the Company

There are no new international standards, amendments or interpretations that are effective for the first time for the financial year ended 31 December 2015 that have had a significant effect on the financial statements.

b) New standards, amendments and interpretations to existing standards relevant to the Company, that are not yet effective and have not been early adopted by the Company

IFRS 9, 'Financial instruments', final version issued July 2014. This standard replaces the guidance in IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements, but in cases where the fair value option is taken, the part of a fair value change in a financial liability due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement (unless this creates an accounting mismatch). The standard is not applicable until 1 January 2018 but is available for early adoption. However, the standard has not yet been endorsed by the EU. The Company is yet to assess IFRS 9's full impact.

2.2 Critical accounting estimates

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to the financial assets at fair value through profit or loss, see notes 2.6 and 10.

2.3 Foreign currency translation

a) *Functional and presentation currency*
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

b) *Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.4 Revenue and expense recognition

Interest income is recognised in the financial statements on a time-proportionate basis using the effective interest method. Interest expense for borrowings is recognised in the financial statements using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Expenses are accounted for on an accruals basis.

2.5 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The chief operating decision-makers have been identified as the Board of Directors.

2.6 Financial assets and financial liabilities

The Company classifies its financial assets in the following categories: at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Company designates its investments, including equity, related loans and similar instruments (note 10), as at fair value through profit or loss on initial recognition if they are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Company's investing policy. Such investments are initially recorded at fair value, and transaction costs for all financial assets and financial liabilities carried at fair value through profit or loss are expensed as incurred. Gains and losses arising from changes in the fair value of financial assets, including foreign exchange movements, are recognised in the statement of comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables' and 'cash at bank' in the balance sheet (notes 11 and 12). Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss and other liabilities. At 31 December 2015 and 2014 the Company did not have any financial liabilities at fair value through profit or loss. Other liabilities are loans and trade creditors which are included in 'secured loan' and 'trade and other payables' in the balance sheet (notes 16 and 17).

Regular purchases and sales of investments are recognised on the trade date, being the date on which the Company commits to purchase or sell the investment. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

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 value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent or proposed arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Notes to the Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.7 Trade and other receivables

Trade and other receivables are initially stated at fair value and subsequently measured at amortised cost using the effective interest method, less impairment.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash deposited with banks held with original maturities of less than three months.

2.9 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

2.10 Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Dividends and tender offers

Dividends and tender offers are recognised as a liability in the year in which they are declared and approved.

3 Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The financial risks relate to the following financial instruments: financial assets at fair value through profit or loss, loans and receivables, cash and cash equivalents, secured loan and trade and other payables. The accounting policies with respect to these financial instruments are described in note 2.

Risk management is carried out by the Executive Directors.

Foreign currency risk
Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's operations are conducted in jurisdictions which generate revenue, expenses, assets and liabilities in currencies other than US Dollars. As a result, the Company is subject to the effects of exchange rate fluctuations with respect to these currencies. The currencies giving rise to this risk are South African Rand, Euro and Pound Sterling.

The Company's policy is not to enter into any currency hedging transactions.

Notes to the Financial Statements (continued)

3 Risk Management (continued)

Foreign currency risk (continued)

The table below summarises the Company's exposure to foreign currency risk:

31 December 2015	Monetary Assets US$'000	Monetary Liabilities US$'000	Total US$'000
South African Rand	-	-	-
Euro	-	(3)	(3)
Pound Sterling	27	(140)	(113)
	27	**(143)**	**(116)**

31 December 2014	Monetary Assets US$'000	Monetary Liabilities US$'000	Total US$'000
South African Rand	1	-	1
Euro	-	(744)	(744)
Pound Sterling	83	(605)	(522)
	84	**(1,349)**	**(1,265)**

The Board of Directors monitors and reviews the Company's currency position on a continuous basis and act accordingly.

At 31 December 2015, had the US Dollar strengthened by 3% (2014: strengthened by 6%) in relation to South African Rand, Euro and Pound Sterling, with all other variables held constant, the shareholders' equity would have increased by the amounts shown below:

	2015 US$'000	2014 US$'000
South African Rand	-	-
Euro	-	42
Pound Sterling	3	30
Effect on net assets	**3**	**72**

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company is not exposed to significant interest rate risk from the cash held in interest bearing accounts at floating rates or short term deposits of one month or less. The secured loan is at a fixed rate of interest. The Board of Directors monitor and review the interest rate fluctuations on a continuous basis and act accordingly.

During the year ended 31 December 2015 should interest rates have decreased by 100 basis points, with all other variables held constant, the shareholders' equity and the result for the year would have been US$ 7,000 (2014: 10 basis points US$nil) lower as a result of the impact on bank balances.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the balance sheet date. This relates also to financial assets carried at amortised cost. Any change in credit quality of financial assets at fair value through profit or loss is reflected in the fair value of the asset.

Notes to the Financial Statements (continued)

3 Risk Management (continued)

Credit risk (continued)

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	31 December 2015 US$'000	31 December 2014 US$'000
Financial assets at fair value through profit or loss	7,856	19,560
Trade and other receivables	-	11
Cash and cash equivalents	1,331	144
	9,187	**19,715**

The Company manages its credit risk by monitoring the creditworthiness of counterparties regularly. Cash transactions and balances are limited to high-credit-quality financial institutions (at least an Aa2 credit rating).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company currently manages its liquidity risk by maintaining sufficient cash. The Company and the Group's liquidity positions are monitored by the Board of Directors.

The residual undiscounted contractual maturities of financial liabilities are as follows:

31 December 2015	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	No stated maturity US$'000
Financial liabilities						
Trade and other payables	143	-	-	-	-	-
	143	**-**	**-**	**-**	**-**	**-**

31 December 2014	Less than 1 month US$'000	1-3 months US$'000	3 months to 1 year US$'000	1-5 years US$'000	Over 5 years US$'000	No stated maturity US$'000
Financial liabilities						
Secured loan	-	-	744	-	-	-
Trade and other payables	668	-	-	-	-	-
	668	**-**	**744**	**-**	**-**	**-**

Capital risk management

The Company's primary objective when managing its capital base was to safeguard the Company's ability to continue as a going concern in order to realise the remaining assets of the Company at a time and under such conditions as the Directors may determine in order to maximise value on behalf of the shareholders of the Company and to return both existing cash reserves and the proceeds of realisation of the remaining assets to shareholders.

Company capital comprises share capital and reserves.

No changes were made in respect of the objectives, policies or processes in respect of capital management during the years ended 31 December 2014 and 2015.

Notes to the Financial Statements (continued)

4 Operating Segments

The chief operating decision-makers have been identified as the Board of Directors. The Board reviews the Company's internal reporting in order to assess performance and allocate resources. It has determined the operating segments based on these reports. The Board considers the business on a project by project basis by type of business. The type of business is transport (railway) and leasehold property.

Year ended 31 December 2015	Transport		Leasehold Property	Other*	Total
	PME RSACO	PME Locomotives	PME TZ Property		
	US$'000	US$'000	US$'000	US$'000	US$'000
Net losses on financial assets at fair value through profit or loss	(34)	(738)	346	(15)	(441)
Finance income	-	-	-	15	15
Finance costs	-	-	-	(36)	(36)
Loss for the year	(34)	(738)	346	(1,675)	(2,101)
Segment assets	-	3,988	3,868	1,363	9,219
Segment liabilities	-	-	-	(143)	(143)

* Other refers to income and expenses of the Company not specific to any specific sector such as income on un-invested funds and corporate expenses. Other assets comprise cash and cash equivalents US$1,330,692 and other assets US$31,655.

Year ended 31 December 2014	Transport		Leasehold Property	Other*	Total
	PME RSACO	PME Locomotives	PME TZ Property		
	US$'000	US$'000	US$'000	US$'000	US$'000
Net losses on financial assets at fair value through profit or loss	(3,881)	(9,355)	(301)	(16)	(13,553)
Finance income	-	554	350	-	904
Finance costs	-	-	-	(16)	(16)
Loss for the year	(3,882)	(8,801)	49	(4,012)	(16,646)
Segment assets	1	16,079	3,480	185	19,745
Segment liabilities	-	-	-	(1,412)	(1,412)

** Other refers to income and expenses of the Company not specific to any specific sector such as income on un-invested funds and corporate expenses. Other assets comprise cash and cash equivalents US$144,400 and other assets US$41,600.

5 Operating and Administration Expenses

	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Administration expenses	183	187
Administrator and Registrar fees	97	103
Audit fees	72	85
Directors' fees	288	334
Professional fees	404	377
Other	66	106
Operating and administration expenses	**1,110**	**1,192**

Notes to the Financial Statements (continued)

5 Operating and Administration Expenses (continued)

Administrator and Registrar fees

The Administrator receives a fee of 10 basis points per annum of the net assets of the Company between £0 and £50 million; 8.5 basis points per annum of the net assets of the Company between £50 and £100 million and 7 basis points per annum of the net assets of the Company in excess of £100 million, subject to a minimum monthly fee of £4,000 and a maximum monthly fee of £12,500 payable quarterly in arrears.

Administration fees expensed by the Company for the year ended 31 December 2015 amounted to US$87,929 (31 December 2014: US$93,701).

The Administrator provides general secretarial services to the Company, for which it receives a minimum annual fee of £5,000. Additional fees, based on time and charges, will apply where the number of Board meetings exceeds four per annum. For attendance at meetings not held in the Isle of Man, an attendance fee of £750 per day or part thereof will be charged. The fees payable by the Company for general secretarial services for the year ended 31 December 2015 amounted to US$9,159 (31 December 2014: US$9,761).

From 26 October 2010 the Administrator has been appointed to oversee the administration of the Mauritian subsidiaries. The minimum annual fee for each of these companies is £5,000 per annum. Administration fees of the Mauritian subsidiaries for the year ended 31 December 2015 amounted to US$42,266 (31 December 2014: US$51,066).

From 31 January 2013, the Administrator has been appointed to act as administrator of PME Properties Limited and to provide accounting, valuation and certain other administrative services to that company. The minimum annual administration fee of this company is £2,500 per annum. Administration fees of PME Properties Limited for the year ended 31 December 2015 amounted to US$24,010 (31 December 2014: US$46,740).

Directors' remuneration

The maximum amount of basic remuneration payable by the Company by way of fees to the Non-executive Directors permitted under the Articles of Association is £200,000 per annum. The Directors are each entitled to receive reimbursement of any expenses incurred in relation to their appointment. The Non-executive Director was entitled to receive an annual fee of £30,000 prior to resignation. The Executive Directors are entitled to receive annual basic salaries of £75,000.

Total fees and basic remuneration (including VAT where applicable) and expenses payable by the Company for the year ended 31 December 2015 amounted to US$288,282 (31 December 2014: US$333,753) and was split as below. Directors' insurance cover payable amounted to US$29,972 (31 December 2014: US$30,000).

	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Paul Macdonald	114	122
Lawrence Kearns	128	137
Graca Machel*	-	28
Expense reimbursement	46	47
	288	**334**

* Non-executive, resigned 17 July 2014

Notes to the Financial Statements (continued)

6 Project Related Expenses

On 26 June 2014 the Company announced that it was in negotiations to acquire the remaining 50 per cent. of the issued share capital in and shareholder loans to Sheltam Holdings not currently owned or made by the Company in consideration for the issue of new ordinary shares in PME. The Company received approval from the South African Competition Commission on 25 July 2014 with respect to the acquisition but the resolutions of the Company's shareholders to approve the acquisition considered at the extraordinary general meeting of the Company held on 11 August 2014 were not passed and therefore the acquisition did not proceed.

Transaction costs in relation to this proposed acquisition totalled $2,873,570.

On 17 April 2015 the Company entered into an agreement to sell the majority of the Group's rail assets for an aggregate cash consideration of US$11.5 million (the "Sale Transaction") and also entered into a put option agreement in respect of the Company's remaining rail assets.

The sale included the Company's interest in the share capital of PME RSACO (Mauritius) Limited, together with certain intercompany loans and seven of the ten C30 locomotives which were subject to the finance lease held by PME Locomotives (Mauritius) Limited. The Group continues to own the remaining three C30 locomotives but holds a put option for US$1 to require the buyer to purchase one or more of the remaining locomotives for US$1,416,666 per locomotive at any point during a 90 day period commencing 18 months following the completion of the disposal. All conditions of the disposal were met by the end of April 2015 and as a result the Sale Transaction completed on 5 May 2015.

Transaction costs in relation to this sale for the year ended 31 December 2015 totalled $593,583.

7 Net Finance Expense

	Year ended 31 December 2015 US$'000	Year ended 31 December 2014 US$'000
Bank interest income	15	-
Finance income	**15**	**-**
Interest charge (see note 16)	(36)	(16)
Finance expense	**(36)**	**(16)**
Net finance expense	**(21)**	**(16)**

8 Income Tax Expense

The Company is resident for taxation purposes in the Isle of Man and is subject to income tax at a rate of zero per cent (2014: zero per cent).

9 Basic and Diluted Loss per Share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the year.

	Year ended 31 December 2015	Year ended 31 December 2014
Loss attributable to equity holders of the Company (US$'000)	(2,101)	(16,646)
Weighted average number of Ordinary Shares in issue (thousands)	74,009	76,754
Basic loss per share (cents) for the year	**(2.84)**	**(21.69)**

There is no difference between basic and diluted Ordinary Shares as there are no potential dilutive Ordinary Shares.

Notes to the Financial Statements (continued)

10 Financial Assets at Fair Value through Profit or Loss

The following subsidiaries of the Company are held at fair value in accordance with IFRS 10:

	Country of incorporation	Percentage of shares held
PME Locomotives (Mauritius) Limited	Mauritius	100%
PME Tanco (Mauritius) Limited	Mauritius	100%
PME TZ Property (Mauritius) Limited	Mauritius	100%

The following company is an indirect investment of the Company and is included within the fair value of the direct investments:

	Country of incorporation	Percentage of shares held	Parent company
PME Properties Limited	Tanzania	100%	PME TZ Property (Mauritius) Limited

The following table shows a reconciliation of the opening balances to the closing balances for fair value measurements:

	31 December 2015 US$'000	31 December 2014 US$'000
Start of the year	19,560	33,565
Increase/(decrease) in loans to investee companies	237	(452)
Return of capital*	(11,500)	-
Movement in fair value of financial assets	(441)	(13,553)
End of the year	**7,856**	**19,560**

* The return of capital relates to a share buyback conducted by PME Locomotives (Mauritius) Limited in May 2015.

During the year the Group disposed of its holding in PME RSACO (Mauritius) Limited (which included the Group's indirect holding in Sheltam Holdings) for total consideration of US$1. This resulted in a loss on disposal of US$10,576 which is included in the movement in fair value of financial assets.

Assets carried at amounts based on fair value are defined as follows:

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

The fair values of all financial assets at fair value through profit or loss are determined using valuation techniques using significant unobservable inputs. Accordingly, the fair values are classified as level 3. There were no transfers between levels during the year. The key inputs and most significant unobservable inputs are shown below.

Notes to the Financial Statements (continued)

10 Financial Assets at Fair Value through Profit or Loss (continued)

	Fair value as at 31 December 2015 US$'000	Fair value as at 31 December 2014 US$'000	Valuation technique	Significant unobservable inputs	Sensitivity to significant unobservable inputs
Rail assets (PME Locomotives (Mauritius) Limited and PME RSACO (Mauritius) Limited)	3,988	16,080	Agreed/ proposed transaction terms less value of other net liabilities	Estimated recovery value	N/A
Real estate investments (PME TZ Property (Mauritius) Limited)	3,868	3,480	Adjusted discounted cash flow property valuation plus value of other net assets	Discount rate	If the discount rate were 1% higher/lower the estimated fair value would (decrease)/increase by US$27,000
				Estimated adjustment for caveat and non rent paying tenant (Dovetel)	N/A
Total	**7,856**	**19,560**			

Commitments under operating leases relating to PME Properties Limited are disclosed in note 18.

11 Trade and Other Receivables

	31 December 2015 US$'000	31 December 2014 US$'000
VAT receivable	-	11
Prepayments	32	30
Trade and other receivables	**32**	**41**

12 Cash and Cash Equivalents

	31 December 2015 US$'000	31 December 2014 US$'000
Bank balances	1,331	144
Cash and cash equivalents	**1,331**	**144**

13 Share Capital

Ordinary Shares of US$0.01 each	31 December 2015 and 2014 Number	31 December 2015 and 2014 US$'000
Authorised	500,000,000	5,000

C Shares of US$1 each	31 December 2015 and 2014 Number	31 December 2015 and 2014 US$'000
Authorised	5,000,000	5,000
Issued	-	-

Notes to the Financial Statements (continued)

13 Share Capital (continued)

Ordinary Shares of US$0.01 each	31 December 2015 US$'000	31 December 2014 US$'000
40,973,236 (31 December 2014: 76,753,897) Ordinary Shares in issue, with full voting rights	410	768
	410	**768**

At incorporation the authorised share capital of the Company was US$10,000,000 divided into 500,000,000 Ordinary Shares of US$0.01 each and 5,000,000 C Shares of US$1.00 each. The holders of Ordinary Shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The holders of C Shares would be entitled to one vote per share at the meetings of the Company. The C Shares can be converted into Ordinary Shares on the approval of the Directors. On conversion each C share would be sub-divided into 100 C Shares of US$0.01 each and will be automatically converted into New Ordinary Shares of US$0.01 each.

On 12 July 2007, the Company raised a gross amount of US$180,450,000 following the admission of the Company's Ordinary Shares to AIM. The Company placed 180,450,000 Ordinary Shares of US$0.01 par value, at an issue price of US$1.00 per share, and 36,090,000 Warrants on a 1 Warrant per 5 Ordinary Shares basis.

The Warrants lapsed in July 2012. No subscriptions rights were exercised prior to the Warrants lapsing.

A tender offer took place in November 2015. Up to 38,376,948 Ordinary Shares were available for tender at a price of US$0.20 per share. A total of 35,780,661 Ordinary Shares with an aggregate nominal value of US$357,807 were validly tendered and were cancelled upon completion on 4 December 2015. Retained earnings were reduced by US$7,156,132, being the consideration paid for these shares.

14 Capital Redemption Reserve

The capital redemption reserve is created on the cancellation of shares equal to the par value of shares cancelled. This reserve is not distributable.

15 Net Asset Value per Share

	As at 31 December 2015	As at 31 December 2014
Net assets attributable to equity holders of the Company (US$'000)	9,076	18,333
Shares in issue (thousands)	40,973	76,754
NAV per share (US$)	**0.22**	**0.24**

The NAV per share is calculated by dividing the net assets attributable to equity holders of the Company by the number of Ordinary Shares in issue.

16 Secured Loan

On 10 October 2014 the Company entered into a secured loan agreement with Helvetica Deutschland GmbH ("Helvetica") for €600,000 to assist with general working capital. The loan was secured on the Company's cash receivables, was repayable at par on 10 October 2015 and attracted interest at a rate of 10% per annum.

On 12 February 2015 the Company entered into a further secured loan agreement with Helvetica for a loan of €400,000 under the same terms as the initial loan.

Interest payable by the Company for the year ended 31 December 2015 amounted to US$36,105.

Notes to the Financial Statements (continued)

16 Secured Loan (continued)

Paul Macdonald holds 40% of Helvetica's issued share capital, therefore Helvetica is deemed to be a related party of the Company and the loan is a related party transaction.

The loans and all outstanding interest were settled in full on completion of the disposal of rail assets in May 2015.

17 Trade and Other Payables

	31 December 2015 US$'000	31 December 2014 US$'000
Administration fees payable	24	24
Audit fee payable	69	90
CREST service provider fee payable	10	7
Directors' fees payable	-	177
Legal fees payable	15	183
Other sundry creditors	25	187
	143	**668**

The fair value of the above financial liabilities approximates their carrying amounts.

18 Contingent Liabilities and Commitments

PME Properties Limited has entered into a number of operating lease agreements in respect of property. The lease terms are between one and ten years and the majority of the lease agreements are renewable at the end of the lease period at market rates.

The Groups' future aggregate minimum lease payments, by virtue of its indirect investment in PME Properties Limited, under operating leases are as follows:

	31 December 2015 US$'000	31 December 2014 US$'000
Amounts payable under operating leases:		
Within one year	-	68
In the second to fifth years inclusive	200	180
Beyond five years	1,280	1,340
	1,480	**1,588**

19 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or to exercise significant influence over the other party in making financial or operational decisions. Key management is made up of the Board of Directors.

The Directors of the Company are considered to be related parties by virtue of their influence over making operational decisions. Directors' remuneration is disclosed in note 5 and the related party loan is disclosed in note 16.