PME African Infrastructure Opportunities plc

Interim Report

Period ended 30 June 2014

Contents

Directors and Advisers

Directors	Paul Macdonald (Executive Chairman) Lawrence Kearns (Executive Director) all 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	Oriel Securities 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 3rd Floor, 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, I am pleased to present the interim results for PME African Infrastructure Opportunities plc ("PME" or the "Company") for the six months ended 30 June 2014.

Investments and Valuations

The Company currently owns rail assets in South Africa (50 per cent. of the share capital of Sheltam Holdings (Pty) Limited ("Sheltam") together with certain shareholder loans made to Sheltam, and 10 mainline locomotives leased to the group comprising Sheltam and its subsidiaries ("Sheltam Group")) (the "Rail Assets") and commercial premises in Dar-es-Salaam, Tanzania (the "Dar-es-Salaam Property").

As previously reported, the Company ran a sale process to sell its Rail Assets in 2013. However, it was not possible to reach agreement with any of the potential bidders at a value for the Rail Assets which the Board considered acceptable. In order to address some of the issues that arose during the sale negotiations, the Board investigated a reorganisation of the Rail Assets resulting in the proposed acquisition referred to below.

On 26 June 2014 the Board announced that the Company was in negotiations to acquire, through its subsidiary PME RSACO (Mauritius) Limited ("PME RSACO"), the remaining 50 per cent. of the share capital in Sheltam not owned by PME RSACO, together with certain shareholder loans made to Sheltam, in consideration for the issue of new ordinary shares in PME to the vendors of the shares and loans (the "Proposed Transaction").

On 17 July 2014 PME issued a readmission document containing details of the Proposed Transaction. The Proposed Transaction would have resulted in PME ceasing to be an investing company, and becoming the holding company of a trading group, and in a fundamental change in PME's business and Board control. The Board believes that this transaction, and its associated restructuring of the Company and its subsidiaries (the "Group") and of the Sheltam Group would have provided the Sheltam Group with enhanced operational flexibility, a more efficient operating and capital structure and improved revenue and profitability. Accordingly the prospects for maximising the value of PME's investments and increasing operational returns would have been improved.

On 11 August 2014 resolutions to enable completion of the Proposed Transaction were put to PME shareholders at an extraordinary general meeting of the Company. The resolutions were not passed. Accordingly, the Proposed Transaction did not proceed.

The Board will therefore continue to seek to implement PME's existing investing policy, which was approved by PME shareholders in October 2012. The Company's existing investing policy mandates the Board to realise the Company's assets, return capital to shareholders and eventually to wind up the Company. Since adopting this investing policy a total of US$19.6 million has been returned to shareholders through two tender offers.

The Board continues to discuss the disposal of PME's assets with a number of parties but to date no specific proposal has emerged. The Board will continue to work with Sheltam's management and other shareholders of Sheltam to ensure that the business of the Sheltam Group continues to make progress operationally whilst also exploring all options to simplify its corporate structure and take advantage of the significant opportunities that exist for the business. The Board is not expecting to realise the Rail Assets in the short term.

The Rail Assets have continued to perform profitably. The Rail Assets continue to provide cash flow to PME. Demand for the locomotives comprised in the Rail Assets remains steady.

The Dar-es-Salaam Property is still fully let and is being managed by a local company. The person and company that acquired Dovetel (T) Limited ("Dovetel") from a subsidiary of the Company in 2012 registered a caveat on the building on 10 June 2013. This caveat was accepted by the Land Register despite the terms of the share purchase agreement for Dovetel under which all rights of the relevant parties to the building were waived. Dovetel also leases part of the Dar-es-Salaam Property but has not been paying rent. PME is continuing the process of applying for leave of the court in Tanzania to evict Dovetel as a tenant and to have the caveat removed to permit sale of the property. A local agent has been appointed to sell the property.

Chairman's Statement (continued)

The legal process is moving slowly through the Tanzanian court. The Board does not anticipate that there will be any financial implications for the Company from the legal proceedings other than the necessary legal and court costs incurred to protect PME's interest.

Financial Results

The profit attributable to ordinary shareholders for the six months ended 30 June 2014 was US$0.1 million (2013: US$0.1 million), representing US$0.0016 per ordinary share (2013: US$0.0009).

The results for this period reflect US$2.3 million of costs associated with the Proposed Transaction. These costs form part of the semi-annual impairment testing and resulted in a write back of the impairment of associated loans of US$1.1 million.

As at 30 June 2014, PME's net asset value attributable to ordinary shareholders in accordance with IFRS was US$34.9 million (US$0.46 per ordinary share), similar to the US$35 million (US$0.46 per ordinary share) that was reported as at 31 December 2013.

Return of Cash and Outlook

There was no tender offer or buyback of shares in the six months to 30 June 2014.

The Company has three assets namely a property in Tanzania, 10 mainline locomotives and a 50% investment in the share capital of and shareholder loans to Sheltam. These assets continue to perform profitably.

In the case of the Dar-es-Salaam Property the Company is following a legal process which is proceeding through the Tanzanian court. It should be possible to find a buyer once a satisfactory conclusion has been reached to these proceedings. At present it is difficult to put a timescale to this sale. The investment is profitable and generating cash.

The other two investments comprise the Rail Assets. The Board continues to work with the other owners of Sheltam and Sheltam management with the intention that the Sheltam Group's business continues to reach its development and operational targets. Following the sale process in 2013 and the Proposed Transaction this year, the Board believes that the value of the investments will be maximised for shareholders only after Sheltam's development plans have been fully established and implemented and hence the Board is not proactively seeking a buyer for these assets at the present time. However, the Board will consider and respond to any offer it receives for the assets which is deliverable and achieves acceptable value.

Once the sales of the Company's assets are achieved cash will be returned to shareholders by way of a tender offer or dividend payment. Thereafter the Company will be delisted and wound up.

Paul Macdonald
Chairman
24 September 2014

Consolidated Income Statement

	Note	(Unaudited) Period from 1 January 2014 to 30 June 2014 US$'000	(Represented) (Unaudited) Period from 1 January 2013 to 30 June 2013 US$'000
Continuing operations			
Revenue		411	362
Realised gains on sale of property, plant & equipment		-	116
Investment manager's fees	5	-	193
Operating and administration expenses	6	(858)	(1,430)
Project related expenses	10.2	(2,318)	-
Foreign exchange loss		(67)	(1,225)
Operating loss		**(2,832)**	**(1,984)**
Finance income	7	1,817	2,130
Reversal of impairment of associate loan	10.2	1,148	-
Profit before income tax		**133**	**146**
Income tax	8	(7)	(12)
Profit for the period		**126**	**134**
Basic and diluted profit per share (cents) attributable to the equity holders of the Company during the period	**9**	**0.16**	**0.09**

The accompanying notes on pages 10 to 22 form an integral part of these interim financial statements

Consolidated Statement of Comprehensive Income

	(Unaudited) Period from 1 January 2014 to 30 June 2014 US$'000	(Represented) (Unaudited) Period from 1 January 2013 to 30 June 2013 US$'000
Profit for the period	**126**	**134**
Other comprehensive expense		
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	(159)	(1,274)
Other comprehensive expense for the period that may be reclassified to profit or loss	**(159)**	**(1,274)**
Total comprehensive expense for the period	**(33)**	**(1,140)**

The accompanying notes on pages 10 to 22 form an integral part of these interim financial statements

Consolidated Balance Sheet

	Note	(Unaudited) As at 30 June 2014 US$'000	(Audited) As at 31 December 2013 US$'000
Assets			
Non-current assets			
Investment in associate	10.2	-	-
Investment property	11	4,051	4,226
Finance lease receivables	12	14,063	15,490
Total non-current assets		**18,114**	**19,716**
Current assets			
Finance lease receivables	12	2,813	2,670
Loans due from associate	10.2	14,450	11,063
Trade and other receivables	13	639	570
Cash and cash equivalents	14	467	2,005
		18,369	**16,308**
Assets of disposal group classified as held for sale		-	-
Total current assets		**18,369**	**16,308**
Total assets		**36,483**	**36,024**
Equity and liabilities			
Equity attributable to owners of the parent:			
Issued share capital	15	768	768
Foreign currency translation reserve		(1,813)	(1,654)
Capital redemption reserve		1,037	1,037
Retained earnings		34,954	34,828
Total equity		**34,946**	**34,979**
Non-current liabilities			
Deferred tax liability	17	487	553
Total non-current liabilities		487	**553**
Current liabilities			
Deferred income		201	161
Trade and other payables	18	849	331
		1,050	**492**
Liabilities of disposal group classified as held for sale		-	-
Total current liabilities		**1,050**	**492**
Total liabilities		**1,537**	**1,045**
Total equity and liabilities		**36,483**	**36,024**

The interim financial statements on pages 4 to 22 were approved and authorised for issue by the Board of Directors on 24 September 2014 and signed on its behalf by:

Paul Macdonald
Director

Lawrence Kearns
Director

The accompanying notes on pages 10 to 22 form an integral part of these interim financial statements

Company Balance Sheet

	Note	(Unaudited) As at 30 June 2014 US$'000	(Audited) As at 31 December 2013 US$'000
Assets			
Non-current assets			
Investments in subsidiaries	10.1	32,134	32,328
Total non-current assets		**32,134**	**32,328**
Current assets			
Loans and receivables due from subsidiaries	13	21	-
Loans and receivables due from associate	13	365	371
Trade and other receivables	13	32	78
Cash and cash equivalents	14	93	1,587
Total current assets		**511**	**2,036**
Total assets		**32,645**	**34,364**
Equity and liabilities			
Equity			
Issued share capital	15	768	768
Capital redemption reserve		1,037	1,037
Retained earnings		29,878	32,103
Total equity		**31,683**	**33,908**
Current liabilities			
Loans and payables due to subsidiaries	13	215	205
Trade and other payables	18	747	251
Total liabilities		**962**	**456**
Total equity & liabilities		**32,645**	**34,364**

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Paul Macdonald
Director

Lawrence Kearns
Director

The accompanying notes on pages 10 to 22 form an integral part of these interim financial statements

Consolidated Statement of Changes in Equity

	Attributable to owners of the parent						
	Share capital	Foreign currency translation reserve	Capital redemption reserve	Retained earnings	Total	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at 1 January 2013	1,025	(1,421)	780	39,158	39,542	-	39,542
Comprehensive income							
Profit for the period	-	-	-	134	134	-	134
Other comprehensive expense							
Items that may be subsequently reclassified to profit or loss:							
Foreign exchange translation differences	-	(1,274)	-	-	(1,274)	-	(1,274)
Total comprehensive income/(expense) for the period	**-**	**(1,274)**	**-**	**134**	**(1,140)**	**-**	**(1,140)**
Balance at 30 June 2013	**1,025**	**(2,695)**	**780**	**39,292**	**38,402**	**-**	**38,402**
Balance at 1 January 2014	768	(1,654)	1,037	34,828	34,979	-	34,979
Comprehensive income							
Profit for the period	-	-	-	126	126	-	126
Other comprehensive expense							
Items that may be subsequently reclassified to profit or loss:							
Foreign exchange translation differences	-	(159)	-	-	(159)	-	(159)
Total comprehensive income/(expense) for the period	**-**	**(159)**	**-**	**126**	**(33)**	**-**	**(33)**
Balance at 30 June 2014	**768**	**(1,813)**	**1,037**	**34,954**	**34,946**	**-**	**34,946**

The accompanying notes on pages 10 to 22 form an integral part of these interim financial statements

Consolidated Cash Flow Statement

	Note	(Unaudited) Period from 1 January 2014 to 30 June 2014 US$'000	(Unaudited) Period from 1 January 2013 to 30 June 2013 US$'000
Operating activities			
Profit for the period before income tax		133	146
Adjustments for:			
Realised gains on sale of property, plant & equipment		-	(116)
Finance income		(1,817)	(2,130)
Depreciation and amortisation		-	8
Reversal of impairment of loan to associate		(1,148)	-
Foreign exchange loss		67	1,225
Operating loss before changes in working capital		**(2,765)**	**(867)**
Decrease in trade and other receivables		35	-
Increase in trade and other payables		481	4,025
Cash (used in)/generated by operations		**(2,249)**	**3,158**
Income tax paid		(75)	(58)
Interest received		381	163
Lease rental income received		400	2,033
Net cash (used in)/generated by operating activities		**(1,543)**	**5,296**
Investing activities			
Loan to associate	10.2	-	(36)
Net cash used in investing activities		**-**	**(36)**
Net (decrease)increase in cash and cash equivalents		**(1,543)**	**5,260**
Cash and cash equivalents at beginning of period		2,005	3,695
Foreign exchange gains/(losses) on cash and cash equivalents		5	(221)
Cash and cash equivalents at end of period	**14**	**467**	**8,734**

The accompanying notes on pages 10 to 22 form an integral part of these interim financial statements

Notes to the Interim 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") is 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.

The Company's investment activities were managed by PME Infrastructure Managers Limited (the "Investment Manager") to 6 July 2012. No alternate has been appointed therefore 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.

Company Loss
The amount of the Company's loss for the period recognised in the Consolidated Income Statement is US$2,224,682 after impairment of intercompany balances amounting to US$23,544 and impairment to its investment in subsidiaries amounting to US$192,610 (period ended 30 June 2013: loss US$18,232,651 after impairment of intercompany balances amounting to US$nil and release of impairment to its investment in subsidiaries amounting to US$nil).

Going concern
In assessing the going concern basis of preparation of the interim financial statements for the period ended 30 June 2014, 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 facilities for its ongoing operations and therefore have continued to adopt the going concern basis in preparing these interim financial statements.

2 Summary of Significant Accounting Policies

2.1 Basis of preparation

Except as described below, the accounting policies applied by the Group in the preparation of these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2013.

These interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The interim financial statements for the six months ended 30 June 2014 are unaudited. The comparative interim figures for the six months ended 30 June 2013 are also unaudited.

Notes to the Interim Financial Statements (continued)

2 Summary of Significant Accounting Policies (continued)

2.2 Critical accounting estimates

The Group 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 period are addressed below:

Loan to Associate
The Group tests semi-annually whether the investment and loans to its associate have suffered any impairment. In assessing this, the Group determines the recoverable amount of the cash generating unit determined based on discounted cash flows. The Group has also taken into account the cash equivalent of the proposed consideration to acquire the remaining 50% of the associate's share capital and shareholder loans (under the acquisition as set out in the admission document issued by the Company dated 17 July 2014), less the costs of the transaction. At 30 June 2014 the Group has reversed part of a previously recognised impairment in the amount of US$1,148,562 (year to 31 December 2013: the Group reversed US$1,865,312 of the impairment provision) with respect to its loans to associate (see note 10.2) as a result of incurring some of the transaction costs (see project related expenses in the Consolidated Income Statement).

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: loans and receivables, cash and cash equivalents and trade and other payables. There has been no material change in the market, credit or liquidity risk profile since the year ended 31 December 2013.

There have been no changes in risk management policies or responsibilities since the year end. The risk management is carried out by the executive Directors.

These interim financial statements do not include all financial risk management information and disclosures required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2013.

The fair value of trade and other receivables, cash and cash equivalents and trade and other payables are considered to approximate their carrying amounts.

4 Segment Information

Until July 2012, the chief operating decision-makers were identified as the Board of Directors and the Investment Manager. After this time, the Board of Directors assumed the responsibilities of the Investment Manager and the Board has undertaken all operating decisions since then. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board 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.

Notes to the Interim Financial Statements (continued)

4 Segment Information (continued)

Six months ended 30 June 2014	Transport		Leasehold	Other*	Total
	Sheltam Holdings	PME Locos	PME Properties		
	US$'000	US$'000	US$'000	US$'000	US$'000
Finance income	567	1,250	-	-	1,817
Profit/(loss) for the period	1,438	1,368	241	(2,921)	126
Segment assets	5,307	26,551	4,492	133	36,483
Segment liabilities	(15)	(27)	(746)	(749)	(1,537)

* Other refers to income and expenses of the Group not specific to any specific sector such as income on un-invested funds. Other assets comprise cash and cash equivalents of US$92,980 (note 14) and other assets US$39,658.

Six months ended 30 June 2013	Transport		Leasehold	Other**	Total
(Represented)	Sheltam Holdings	PME Locos	PME Properties		
	US$'000	US$'000	US$'000	US$'000	US$'000
Finance income	565	1,563	-	2	2,130
Profit/(loss) for the period	299	651	65	(881)	134
Segment assets	3,982	28,618	4,615	2,308	39,523
Segment liabilities	(18)	(18)	(817)	(268)	(1,121)

** Other refers to income and expenses of the Group not specific to any specific sector such as income on un-invested funds. Other assets comprise cash and cash equivalents of US$2,158,088 (note 14) and other assets US$150,219.

The total of non-current assets other than financial instruments is US$4,051,000 (31 December 2013: US$4,226,000).

5 Investment Manager's Fees

Annual fees

The Investment Manager received a management fee of 1.25% per annum of the gross asset value of the Group from Admission, payable quarterly in advance and subject to a cap of 3% per annum of the net asset value of the Group. On 6 July 2011, the Company served formal notice on the Investment Manager to terminate the Management agreement dated 6 July 2007 between the Company and the Investment Manager, to take effect on 6 July 2012.

Management fees payable for the period ended 30 June 2014 amounted to US$nil (30 June 2013: refund of management fees previously incurred of US$193,339).

Notes to the Interim Financial Statements (continued)

6 Operating and Administration Expenses

	Period ended 30 June 2014 US$'000	(Represented) Period ended 30 June 2013 US$'000
Administration expenses	118	94
Administrator and Registrar fees	119	124
Audit fees	71	82
Bad debt expense	82	85
Depreciation	-	8
Directors' fees	203	154
Professional fees	122	634
Property and utilities	67	76
Travel	-	4
Other	76	169
Operating and administration expenses	**858**	**1,430**

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 million 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 payable by the Company for the period ended 30 June 2014 amounted to US$48,852 (30 June 2013: US$52,507).

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, 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 is charged. The fees payable by the Company for general secretarial services for the period ended 30 June 2014 amounted to US$5,089 (30 June 2013: US$4,612).

The Administrator oversees 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 period ended 30 June 2014 amounted to US$28,980 (30 June 2013: US$34,864).

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 period ended 30 June 2014 amounted to US$35,929 (30 June 2013: US$32,226).

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 is entitled to receive an annual fee of £30,000.

Notes to the Interim Financial Statements (continued)

6 Operating and Administration Expenses (continued)

Directors' Remuneration (continued)
The Executive Directors are entitled to receive annual basic salaries of £75,000.

	Period ended 30 June 2014 US$'000	Period ended 30 June 2013 US$'000
Paul Macdonald	64	60
Lawrence Kearns	71	61
Graca Machel (see note 21)	26	23
Expense reimbursement	42	10
	203	**154**

7 Finance Income

	Period ended 30 June 2014 US$'000	(Represented) Period ended 30 June 2013 US$'000
Finance lease income	1,250	1,563
Interest income on loan to associate	567	565
Interest income	-	2
Finance income	**1,817**	**2,130**

8 Income Tax Expense

Group

	Period ended 30 June 2014 US$'000	(Represented) Period ended 30 June 2013 US$'000
Current tax	50	29
Deferred tax (note 17)	(43)	(17)
Tax expense	**7**	**12**

The tax on the Group's result before tax is higher than the standard rate of income tax in the Isle of Man of zero %. The differences are explained below:

Group

	Period ended 30 June 2014 US$'000	Period ended 30 June 2013 US$'000
Profit before tax	133	146
Tax calculated at domestic tax rates applicable in the Isle of Man (0%)	-	-
Effect of higher tax rates in Mauritius (15%)	51	29
Effect of higher tax rates in Tanzania (30%)	(1)	-
Movement in deferred tax liability in Tanzania	(43)	(17)
Tax expense	**7**	**12**

Notes to the Interim Financial Statements (continued)

9 Basic and Diluted Profit per Share

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

	Period ended 30 June 2014	Period ended 30 June 2013
Profit attributable to equity holders of the Company (US$'000)	126	134
Weighted average number of ordinary shares in issue (thousands)	76,754	136,751
Basic profit per share (cents) from profit for the period	**0.16**	**0.09**

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

10 Investments in Subsidiaries and Associates

10.1 Investments in Subsidiaries

The direct and indirect subsidiaries held by the Company are as follows:

	Country of incorporation	Percentage of share held
PME Locomotives (Mauritius) Limited	Mauritius	100%
PME RSACO (Mauritius) Limited	Mauritius	100%
PME Tanco (Mauritius) Limited	Mauritius	100%
PME TZ Property (Mauritius) Limited	Mauritius	100%
PME Properties Limited	Tanzania	100%

The Company invested in its direct subsidiaries as follows:

	30 June 2014 US$'000	31 December 2013 US$'000
Start of the period/year	32,328	34,707
Return of capital*	-	(6,500)
(Impairment)/reversal of impairment**	(194)	4,121
End of the period/year	**32,134**	**32,328**

*The return of capital relates to a stock share buyback conducted by PME Locomotives (Mauritius) Limited in October 2013
**This impairment relates to the underlying associate

10.2 Investments in Associate

Group	30 June 2014 US$'000	31 December 2013 US$'000
Start of the period/year	-	-
End of the period/year	**-**	**-**

Notes to the Interim Financial Statements (continued)

10 Investments in Subsidiaries and Associates (continued)

10.2 Investments in Associate (continued)

Loans due from associate

	30 June 2014 US$'000	(Restated) 31 December 2013 US$'000
Start of the period/year	14,915	15,047
Increase due to rescheduled debt agreement	1,753	1,565
Interest income (included in finance income) (note 7)	567	1,098
Exchange differences	(150)	(2,795)
End of the period/year	**17,085**	**14,915**
Less: provision for impairment*	(2,635)	(3,852)
Loans due from associate - net	**14,450**	**11,063**

* part of the provision for impairment has been released during the period ended 30 June 2014 as a result of incurring some of the transaction costs (see project related expenses in the Consolidated Income Statement)

Movements on the Group provision for impairment of loans due from associate are as follows:

	30 June 2014 US$'000	(Restated) 31 December 2013 US$'000
Start of the period/year	3,852	7,064
Impairment provision	-	-
Release of impairment provision	(1,148)	(1,865)
Exchange differences	(69)	(1,347)
End of the period/year	**2,635**	**3,852**

11 Investment Property

Group	30 June 2014 US$'000	31 December 2013 US$'000
Fair value at start of the period/year	4,226	-
Transfer from assets held for sale	-	4,282
Revaluations	-	(56)
Exchange differences	(175)	-
Fair value at end of the period/year	**4,051**	**4,226**

At 30 June 2014 the investment property represented the Dar-es-Salaam property of PME Properties Limited in Tanzania. The property was fully let although part of the office was let to a tenant (Dovetel) which is currently in administration. The Company is taking action in the Tanzanian Courts with a view to removing this tenant and recovering unpaid rent.

An independent valuation of the property was performed in December 2013 by M&R Agency Limited, Tanzania, which valued the property at US$6,700,000. This was based on the assumption that the building is fully let to rent paying tenants. Using the same valuation metrics and assumptions as those used by the independent valuer, and excluding Dovetel rental, returns a valuation of approximately US$4,051,000.

Notes to the Interim Financial Statements (continued)

12 Finance Lease Receivables

Group	30 June 2014 US$'000	31 December 2013 US$'000
Amounts receivable under finance leases:		
Within one year	5,110	5,110
In the second to fifth years inclusive	19,112	20,320
Beyond five years	-	1,327
	24,222	26,757
Less: unearned finance income	(7,346)	(8,597)
Present value of minimum lease payments receivable	**16,876**	**18,160**

Unearned finance income is the difference between the gross investment (the aggregate of the minimum lease payments receivable plus any unguaranteed residual value accruing to the lessor) in the lease and the net investment (the gross investment in the lease discounted at the lease's implicit interest rate) in the lease.

The present value of the lease payments is receivable as follows:

	30 June 2014 US$'000	31 December 2013 US$'000
Within one year	2,813	2,670
After one year	14,063	15,490
	16,876	**18,160**

The Group entered into finance leasing arrangements with Sheltam Holdings, an associated company, for twelve locomotives (six in December 2008 and another six in June 2009).

During the year to 31 December 2012 two of the leased locomotives were damaged in an incident when they collided with each other. During the year to 31 December 2013 the insurers agreed to write off the damaged locomotives and paid out an amount of ZAR 35.3m (US$3.3m) in full and final settlement.

The average term of finance leases entered into is ten years. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The average effective interest rate contracted approximates to 16.30% (2013: 16.30%). The fair value of the Group's finance lease receivables at 30 June 2014 and 31 December 2013 is estimated to approximate their carrying amount. The lease receivables are secured on the related assets.

13 Trade and Other Receivables

Group	30 June 2014 US$'000	31 December 2013 US$'000
Receivables due from associate company	365	371
Prepayments	98	133
Income tax recoverable	160	64
Sundry debtors	16	2
Trade and other receivables	**639**	**570**

Notes to the Interim Financial Statements (continued)

13 Trade and Other Receivables (continued)

Company	30 June 2014 US$'000	31 December 2013 US$'000
Loans and receivables due from subsidiary companies		
Start of the period/year	7,686	7,966
Payment of loan and receivables	-	47
Repayments of amounts to Company	(54)	(101)
Expenses paid by subsidiary on behalf of the Company	-	(255)
Interest income	-	-
Expense recharges	88	29
End of period/year	**7,720**	**7,686**
Less: provision for impairment	(7,914)	(7,891)
Loans and amounts due (to)/from subsidiaries - net	**(194)**	**(205)**

Movements on the Company provision for impairment of loans and receivables due from subsidiaries are as follows:

	30 June 2014 US$'000	31 December 2013 US$'000
Start of the period/year	7,891	7,891
Impairment provision	23	-
End of the period/year	**7,914**	**7,891**

PME Tanco was lent US$14,397 during the six months ended 30 June 2014 (six months ended 30 June 2013: US$9,400) to cover operational expenditure. Interest of US$nil was accrued on this facility over the year, after the lender waived interest as at 1 January 2013. The balance continues to be impaired to US$nil. Until 1 January 2013, the loan facility bore interest at the US prime rate. The loan is unsecured and repayable on demand.

PME Locomotives was lent US$12,820 and repaid US$53,697 during the period. This balance is interest free, unsecured and repayable on demand.

PME TZ Property and PME RSACO were lent US$14,550 and US$46,231 (2013: US$nil and US$30,946) respectively to cover operational expenditure. These balances are interest free, unsecured and repayable on demand.

Company	30 June 2014 US$'000	31 December 2013 US$'000
Receivables due from associate company		
Start of the period/year	371	85
Expense recharges	-	298
Exchange differences	(6)	(12)
End of the period/year	**365**	**371**
Prepayments	32	78
Trade and other receivables	**32**	**78**

Notes to the Interim Financial Statements (continued)

14 Cash and Cash Equivalents

Group	30 June 2014 US$'000	31 December 2013 US$'000
Bank balances	467	2,005
Cash and cash equivalents	**467**	**2,005**

Company	30 June 2014 US$'000	31 December 2013 US$'000
Bank balances	93	1,587
Cash and cash equivalents	**93**	**1,587**

15 Share Capital

Ordinary Shares of US$0.01 each	31 December 2013 and 30 June 2014 Number	31 December 2013 and 30 June 2014 US$'000
Authorised	500,000,000	5,000

C Shares of US$1 each	31 December 2013 and 30 June 2014 Number	31 December 2013 and 30 June 2014 US$'000
Authorised	5,000,000	5,000
Issued	-	-

Ordinary Shares of US$0.01 each	30 June 2014 US$'000	31 December 2013 US$'000
76,753,897 (31 December 2013: 76,753,897) Ordinary Shares in issue, with full voting rights	768	768
	768	**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 on issue 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.

A registered holder of a Warrant had the right to subscribe for Ordinary Shares of US$0.01 each in the Company in cash on 30 April in any of the years 2008 to 2012 for a price of US$1.21 each (adjusted from US$1.25 effective from 11.59pm on 23 February 2010, and an additional 1,193,042 Warrants were issued). The subscription price was adjusted from US$1.21 to US$1.00 effective from 11.59pm on 21 September 2010, and an additional 7,829,424 Warrants were issued. The subscription price was further adjusted from US$1.00 to US$0.72 effective from 11.59pm on 22 July 2011, and an additional 17,543,718 Warrants were issued taking the total number of Warrants in issue to 62,656,184. The Warrants lapsed in July 2012. No subscription rights were exercised prior to the Warrants lapsing.

Notes to the Interim Financial Statements (continued)

16 Net Asset Value per Share

Group	As at 30 June 2014	As at 31 December 2013
Net assets attributable to equity holders of the Company (US$'000)	34,946	34,979
Shares in issue (thousands)	76,754	76,754
NAV per share (US$)	**0.46**	**0.46**

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

17 Deferred Tax Liability

Group	30 June 2014 US$'000	31 December 2013 US$'000
Start of the year	553	-
Transfer from liabilities held for sale	-	596
Exchange differences	(23)	(7)
Income statement charge (note 8)	(43)	(36)
End of the year	**487**	**553**
To be recovered:		
- After more than 12 months	**487**	**553**
- Within 12 months	**-**	**-**

18 Trade and Other Payables

Group	30 June 2014 US$'000	31 December 2013 US$'000
Administration fees payable	42	44
Audit fee payable	151	137
CREST service provider fee payable	4	4
Directors' fees payable	77	12
Income tax payable	-	4
Legal fees payable	-	66
Other sundry creditors	102	64
Project related expenses	473	-
	849	**331**

Notes to the Interim Financial Statements (continued)

18 Trade and Other Payables (continued)

Company	30 June 2014 US$'000	31 December 2013 US$'000
Administration fees payable	24	24
Audit fee payable	108	103
CREST service provider fee payable	4	4
Directors' fees payable	77	12
Legal fees payable	61	66
Other sundry creditors	-	42
Project related expenses	473	-
	747	**251**

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

19 Contingent Liabilities and Commitments

The following guarantees are in place as a result of the acquisition of 50% of the Ordinary Share capital of Sheltam Holdings (Pty) Limited:

(i) FirstRand Bank suretyship in the amount of US$0.6m (ZAR 6m) in connection with a US$1.1m (ZAR 12m) working capital facility.

(ii) Rand Merchant Bank letter of support in the amount of US$0.5m (ZAR 5.5m) in connection with aircraft finance lease obligations.

The Directors do not expect any of these guarantees to result in significant loss to the Group.

PME Properties Limited has entered into a number of operating lease agreements in respect of properties. 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 Group's future aggregate minimum lease payments under operating leases are as follows:

	30 June 2014 US$'000	31 December 2013 US$'000
Amounts payable under operating leases:		
Within one year	67	65
In the second to fifth years inclusive	193	146
Beyond five years	1,340	1,400
	1,600	**1,611**

Notes to the Interim Financial Statements (continued)

20 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.

Group

Sheltam Holdings (Pty) Limited, an associate, had the following positions/transactions with Group companies:

- The outstanding finance lease liability owing to PME Locomotives (Mauritius) Limited as at 30 June 2014 was US$16,876,580 (31 December 2013: US$18,160,110), see note 12.
- Net finance lease interest expense due to PME Locomotives (Mauritius) Limited during the period ended 30 June 2014 amounted to US$1,250,472 (period ended 30 June 2013: US$1,563,186).
- The loans payable to PME RSACO (Mauritius) Limited and PME Locomotives (Mauritius) Limited are disclosed in note 10.2.

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 6.

Company
Intercompany transactions with subsidiaries and associates are disclosed in note 13.

21 Post Balance Sheet Events

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.

Graca Machel resigned on 17 July 2014 as a non-executive director of the Company. Going forward, she has agreed to become a senior advisor to the Company providing strategic advice to the Board.