

TOL LIMITED
REPORT AND ACCOUNTS
31 DECEMBER 1999

KPMG Peat Marwick
P. O. Box 1160
Dar es Salaam

TOL LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1999

1. The Directors present their report together with the audited financial statements for the year ended 31 December 1999.

2. **Principal Activities**

The principal activities of the company continue to be the production and sale of industrial gases, welding equipment and related accessories.

3. **Results and appropriation**

The company made a loss of Tzs. 1.76 billion (1998: Loss Tzs. 549 million), for the period ended 31 December 1999. The directors do not recommend payment of a dividend.

4. **Board of Directors**

The directors who served during the year were as follows: -

Name	Nationality	Date of resignation	Date of appointment	Position
Mr. A.B.S. Kilewo	Tanzanian		16 April 1999	Chairman
Mr.H.K.Senkoro	Tanzanian		16 April 1999	Vice Chairman
Mrs.E.Mlaki	Tanzanian		16 April 1999	
Mrs.S.J.Mbatia	Tanzanian		16 April 1999	
Mr.P.L.Machunde	Tanzanian		16 April 1999	
Mr.A.G.A.Masambu	Tanzanian		16 April 1999	
Mrs.N.S.Inyangete	Tanzanian		16 April 1999	
Mr.K.Jagannathan	Indian			
Mr.V.Rweyemamu	Tanzanian			
Mr. D.E.Mattaka	Tanzanian			
Mr. S.Mworia	Tanzanian		16 April 1999	
Mr.R.A.Makobwe	Tanzanian			
Mr. L.Beza	Malawian			
Mr.F Mrema	Tanzanian	16 April 1999		
Mr. G.Mgonja	Tanzanian	16 April 1999		
Mr.J.Fideli	Tanzanian	16 April 1999		
Mr.R.Kasungu	Tanzanian	16 April 1999		
Mr.O.A.Malima	Tanzanian	16 April 1999		
Lt.Col.JL.Simbakalia	Tanzanian	16 April 1999		
Mr. H. Williams	British	16 April 1999		

5. **Directors' interests**

The Directors' interests in the issued share capital of the company as at 31 December 1999 and 31 December 1998 were as follows:

	Number	Nominal Value Tzs.'000
E.Mlaki	100	10
S.Mbatia	400	40
A.Masambu	500	50
N.Inyangete	2,000	200
S.Mworia	102,500	10,250

6. **Director's responsibilities**

The Directors are required under the Companies Ordinance to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at end of the financial year and of the profit or loss of the Company for the year. In doing so they ensure that:

- proper accounting records are maintained,
- applicable accounting standards are followed,
- suitable accounting policies are adopted and consistently applied,
- judgements and estimates made are reasonable and prudent,
- the going concern basis is used, unless it is appropriate to presume that the Company will not continue in business, and
- internal control procedures are instituted which, as far as is reasonably possible, safeguard the assets and prevent and detect fraud and other irregularities.

7. **Major Shareholdings**

	Number of shares	% shareholding
Treasury Registrar	6,343,630	45.82
National Bureau De Change Ltd.	1,000,000	7.22
Social Action Trust Fund	625,000	4.51
Parastatal Pensions Fund	500,000	3.61
Tanzania Venture Capital Fund Ltd.	500,000	3.61

8. **Fixed Assets**

Movements in the fixed assets during the year are shown in note 6 on page 11. In the opinion of the directors, the market values of the fixed assets is in excess of Tzs.6 Billion (net), which is reflected in the financial statements.

9. **Efforts to secure national benefits and seek national goals**

The objective of the company is to ensure that a sufficient supply of industrial and medical gases is available in the country at reasonable prices to satisfy demand.

The above objective will be achieved by :

- maintaining production by a scheduled programme using local spare parts where possible,
- ensuring availability of raw materials through carefully established re-order levels,
- effective in-house supervision of employees,
- looking for potential export markets in neighboring countries where it is economically feasible.

10. **Employee Welfare**

■ **Industrial Safety**

The Company continued to satisfy the standards of Industrial safety established by both the Factory Ordinance and the Tanzania Bureau of standards.

■ **Management/Employee Relationships**

The relationship between employees and the management continued to be cordial. There were no unresolved complaints received by management from the employees' Tanzania Union of Industrial Commercial Organisation (TUICO) representative, who has the responsibility for identifying and reporting employees' grievances to management.

■ **Training Facilities**

Training programme is drawn up every year to cater for all levels of staff. Training is mainly conducted through local training institutions and practical experience. Overseas training is pursued only for a number of cases where training facilities are not available locally.

■ **Medical Facilities**

The company pays all the medical expenses of each employee and his/her immediate family members through selected hospitals.

■ **Financial Help**

This is available to all employees depending on the assessment by the management as to the employee's need and the ability of the company as prescribed by the Company Staff Regulations.

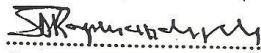
■ **Employee Motivation**

In order to motivate employees, the company issues a bonus where annual results meet certain requirements agreed by the company and the Permanent Labour Tribunal. The company provides canteen service to all employees. A canteen committee includes representative from the shop floor to ensure that the employees' views on the quality and quantity of the food supplied by the caterers are considered.

11. **Auditors**

The present auditors for the year under review are KPMG Peat Marwick.

By order of the Board


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Company Secretary

Date: 18 May, 2000.
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**REPORT OF THE AUDITORS TO THE MEMBERS OF
TOL LIMITED**

We have audited the financial statements set out on pages 6 to 13 which have been prepared on the basis of the accounting policies set out in note 1 to the accounts. We have, subject to the matters highlighted below obtained information and explanations which we considered necessary for the purposes of our audit and provide a reasonable basis for our opinion.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements, which give a true and fair view of the company's state of affairs and its operating results. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Tanzania Statements of Auditing Guidelines. These guidelines require that we plan and perform our audit to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

Emphasis of matter

1. Going concern

As reflected in the balance sheet, the company has substantial excess of current liabilities over current assets amounting to Tzs. 3 billion. It therefore appears that the company cannot meet its liabilities as and when they fall due and is technically insolvent. However, the accounts of the company have been prepared on a going concern basis on the assumption that it will successfully re-negotiate payment terms with its major lenders and creditors, obtain a substantial injection of additional capital to wipe out the net liability position and further secure borrowing for working capital needs.

2. Fixed assets

The company is carrying an asset in its books at a cost of Tzs. 4.9 billion. The net realisable value of this asset as per our enquiries from the company's supplier, appears to be below its stated cost. However, the directors feel that the value of this asset is not impaired and no adjustments are necessary, as it is unlikely that the plant will ever be disposed of and coupled with the potential strategic investor's intention to use the plant to satisfy the East African market will enable the company to effectively recover its investment in the plant.

3. Capital work in progress

The company is carrying in its books capital work in progress in respect of certain projects amounting to Tzs.870 million. At the date of this report the projects cannot be completed due to lack of capital. The successful completion of these projects is subject to additional funding being made available. We are uncertain whether these projects will ever be completed and therefore, whether the carrying value is appropriate.

4. **Strategic investor undertaking**

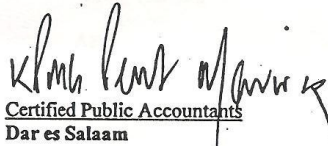
The company is under negotiations with a strategic investor to buy 60% of equity in the company. Simultaneously the Government of Tanzania has committed to inject into the company approximately Tzs. 1.9 billion through a rights issue. Should the negotiations with the Government and the investor be successful, then the matters highlighted in paragraphs 1 to 3 above will effectively be resolved.

Opinion

In our opinion and subject to:

- the effect of any adjustments that may be deemed to be necessary should the going concern concept not be appropriate,
- the effect on the financial statement of the fixed assets and capital work-in-progress being written down to their net realizable value, and
- the successful conclusion of the ongoing tripartite negotiations between the strategic investor, Parastatal Sector Reform Commission (PSRC) and the company for the possible buy-in into the company,

proper books of account have been kept and the financial statements give a true and fair view of the company's state of financial affairs as at 31 December 1999 and of the operations and cash flows for the year then ended in accordance with the Tanzanian Statements of Accounting Guidelines and comply with the requirements of the Companies Ordinance (Cap.212).


Certified Public Accountants
Dar es Salaam

Date: 18 May 2000

TOL LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	1999 Tzs'000	1998 Tzs'000
Turnover	1 (b)	2,023,843	2,128,046
Cost of sales		<u>(1,805,697)</u>	<u>(1,505,186)</u>
Gross Profit		218,146	622,860
Operating expenses		<u>(2,225,294)</u>	<u>(1,118,585)</u>
Operating loss		(2,007,148)	(495,725)
Other income		1,908	93,443
Exceptional item	3	<u>243,604</u>	-
Loss before taxation	2	(1,761,636)	(402,282)
Taxation	4	-	<u>(146,935)</u>
Loss after taxation		<u>(1,761,636)</u>	<u>(549,217)</u>
Earnings per share	5	(127.25)	(39.7)

STATEMENT OF RETAINED LOSSES

Retained loss as at 1 January 1999	(927,160)	(377,943)
Loss for the year	<u>(1,761,636)</u>	<u>(549,217)</u>
Retained loss as at 31 December 1999	<u>(2,688,796)</u>	<u>(927,160)</u>

Notes and related statements forming part of these financial statements appear on pages 9 to 13.

Report of the Auditors – pages 4 & 5.

TOL LIMITED
BALANCE SHEET
AT 31 DECEMBER 1999

	Notes	1999 Tzs '000	1998 Tzs '000
Fixed assets	6	<u>6,007,789</u>	<u>6,377,443</u>
Current assets			
Stock	7	315,335	419,758
Debtors	8	775,637	762,729
Cash and bank		<u>94,281</u>	<u>77,906</u>
		1,185,253	1,260,393
Current liabilities – Amounts falling due within one year			
Bank overdraft	10	478,197	472,962
Creditors	9	<u>3,761,410</u>	<u>2,098,705</u>
		4,239,607	2,571,667
Net current liabilities		(3,054,354)	(1,311,274)
Net assets		<u>2,953,435</u>	<u>5,066,169</u>
Capital employed			
Share capital	11	1,384,363	1,384,363
Share premium account	12	2,280,339	2,280,339
Revaluation reserve		29,613	29,613
Retained losses		<u>(2,688,796)</u>	<u>(927,160)</u>
Shareholders' funds		1,005,519	2,767,155
Medium term loans	13	1,481,161	1,835,140
Provision for deferred tax	14	8,794	8,794
Cylinder deposits		<u>457,961</u>	<u>455,080</u>
		<u>2,953,435</u>	<u>5,066,169</u>

Director: 

Date: 18.05.2000

Director: 

Notes and related statements forming part of these financial statements appear on pages 9 to 13.

Report of the Auditors – Pages 4 & 5.

TOL LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1999

	1999 Tzs '000	1998 Tzs '000
Cash flow from Operating Activities		
Loss before taxation		
Adjustments for:	(1,761,636)	(402,282)
Depreciation		
Foreign exchange differences	415,308	180,985
Capital work in progress written off	422,088	641,488
Amortization of deferred expenditure	13,735	11,155
Interest	-	79,479
Profit on sale of fixed assets	592,889	-
Operating loss before working capital changes	<u>(243,604)</u>	<u>(17,214)</u>
	(561,220)	493,611
Decrease in debtors		
Increase/(decrease) in creditors	972	95,090
Decrease/(increase) in stocks	458,721	(625,610)
Cash generated from operations	<u>104,423</u>	<u>(99,039)</u>
	2,896	(135,948)
Returns on investment and servicing of finance		
Interest paid		
Dividend paid	(164,000)	-
Corporation tax paid	-	(53,000)
	<u>(13,880)</u>	<u>(92,950)</u>
Cash flow from Investing Activities	(174,984)	(281,898)
Purchase of fixed assets		
Addition to Capital Work in progress	(112,588)	(57,967)
Proceeds from sale of fixed assets	(1709)	(1,620,765)
	<u>297,540</u>	<u>24,050</u>
Cash flow from Financing Activities	8,259	(1,936,580)
Loan repayments		
Cylinders Deposits received	-	(447,119)
Proceeds from ordinary share issue	2,881	69,826
	<u>-</u>	<u>3,028,464</u>
	2,881	2,651,171
Net increase in cash and equivalents		
Cash and cash equivalents at 1 January 1999	11,140	714,591
Cash and cash equivalents at 31 December 1999	<u>(395,056)</u>	<u>(1,109,647)</u>
	<u>(383,916)</u>	<u>(395,056)</u>
Analysis of cash and cash equivalents		
Bank and cash balances	94,281	77,906
Bank overdraft	<u>(478,197)</u>	<u>(472,962)</u>
	<u>(383,916)</u>	<u>(395,056)</u>

TOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

1. PRINCIPAL ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention modified by the revaluation of certain fixed assets.

(b) Turnover

This represents the invoiced value of goods sold exclusive of VAT.

(c) Fixed assets and depreciation

Fixed assets are stated at cost.

Depreciation is provided so as to write off the cost of fixed assets on a straight-line basis over their expected useful lives. Depreciation on acquisition and disposal during the year is charged on a quarterly basis. The principal depreciation rates used for this purpose are:

	Rate %
Fixed Property	2
Furniture, fittings, equipment and computers	10 and 20
Plant and machinery	5 to 10
Cylinders	4
Motor Vehicles	20 and 25

(d) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a weighted average cost basis. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the cost of realisation.

(e) Translation of foreign currencies

Transactions in foreign currencies are converted to Tanzanian Shillings at the rate of exchange ruling at the date of transaction. Assets and liabilities in foreign currencies are stated in Tanzanian Shillings using the rates of exchange ruling at the financial year-end, with the resulting exchange differences being dealt with in the profit and loss account.

(f) Deferred tax

Provision for deferred tax is made when income, expenditure or depreciation falls into different periods for accounting and tax purpose. The provision is calculated at rates of tax prevailing at the balance sheet date. Provision is made only when the directors consider that a tax benefit or charge is likely to crystallize in the foreseeable future.

LOSS BEFORE TAXATION

	1999	1998
	Tzs '000	Tzs '000
The loss is stated after charging:		
Directors' fees:		
Executive	3,000	3,000
Non – executive	21,000	19,500
Depreciation	415,307	180,985
Audit fees	9,000	14,004
Interest expense	592,889	177,504
Exchange differences	<u>422,088</u>	<u>641,488</u>

3. EXCEPTIONAL ITEM

This amount represents profit on disposal of properties net of capital gains tax. Titles to these properties have not yet been transferred or are in the process of being transferred to the new owners. The directors confirm that sales have been successfully concluded and that titles will be transferred to the new owners in the current financial year.

4. TAXATION

Charge for the year	-	-
Under provision in prior years	<u>-</u>	<u>146,935</u>
	<u>-</u>	<u>146,935</u>

No provision for tax has been made in view of the loss for the year. The taxation affairs of the company since 1996 are subject to agreement with the tax authorities.

The under provision has been reclassified in the comparatives.

5 EARNINGS PER SHARE

The loss per share is calculated based on the loss after taxation and number of ordinary shares in issue during the year.

Loss after taxation (Tzs. 000)	(1,761,636)	(549,217)
Number of shares in issue (000)	13,844	13,844
EPS(Tzs)	(127.25)	(39.67)

6. FIXED ASSETS

	Land and building	Plant and machinery	Cylinders	Motor vehicles	Fixture & fittings	Total
	Tzs '000	Tzs '000	Tzs '000	Tzs '000	Tzs '000	Tzs '000
Cost						
At 1 January 1999	440,741	5,363,608	317,047	296,834	123,636	6,541,866
Additions	-	74,657	17,712	15,000	5,219	112,588
Provision	-	(25,201)	-	-	-	(25,201)
Disposal	(43,544)	-	-	(55,397)	-	(98,941)
At 31 December 1999	397,197	5,413,064	334,759	256,437	128,855	6,530,312
Depreciation						
At 1 January 1999	112,774	408,486	243,307	200,504	81,853	1,046,924
Charge for the year	8,541	350,963	9,834	32,799	13,170	415,307
Disposal	(13,837)	-	-	(55,397)	-	(69,234)
At 31 December 1999	107,478	759,449	253,141	177,906	95,023	1,392,997
Capital WIP						
At 1 January 1999	-	882,500	-	-	-	882,500
Additions	-	1,709	-	-	-	1,709
Write Off	-	(13,735)	-	-	-	(13,735)
At 31 December 1999	-	870,474	-	-	-	870,474
Net book value						
At 31 December 1999	<u>289,719</u>	<u>5,524,089</u>	<u>81,618</u>	<u>78,531</u>	<u>33,832</u>	<u>6,007,789</u>
At 31 December 1998	<u>327,967</u>	<u>5,837,622</u>	<u>73,740</u>	<u>96,330</u>	<u>41,783</u>	<u>6,377,443</u>

Plant and machinery includes Aspen 1000 Air Separation Unit at net book value of Tzs. 4,538,097 which appears to be above its net realisable value. The directors feel that the value of this asset is not impaired and no adjustments are necessary, as it is unlikely that the plant will ever be disposed of and coupled with the potential strategic investor's intention to use the plant to satisfy the East African market will enable the company to effectively recover its investment in the plant.

Capital work in progress includes CO₂ Recovery Plant, Mineral Water Plant, Helium Project, and Moshi and LPG Projects respectively. The company has not been able to complete these projects due to lack of capital.

7. STOCK

	1999 Tzs '000	1998 Tzs '000
Gases	117,449	119,608
Welding machines and equipment	108,665	192,195
Medical machines and equipment	1,422	4,532
Spares	<u>87,799</u>	<u>103,423</u>
	<u>315,335</u>	<u>419,758</u>

8. DEBTORS

Trade debtors (net)	294,946	224,915
Other debtors	156,563	133,410
Prepayments and deposits	28,730	98,081
Corporation tax recoverable	139,677	125,797
Staff debtors	<u>155,721</u>	<u>180,526</u>
	<u>775,637</u>	<u>762,729</u>

Included in staff debtors is an amount of Tzs 32,544,195 in respect of a former managing director. Further details are disclosed under contingent liabilities note (15). In addition, staff debtors include an amount of Tzs.32,000,000 receivable from other former directors.

The corporation tax recoverable is subject to agreement with the tax authorities.

9.	CREDITORS	1999 Tzs.'000	1998 Tzs.'000
	Trade creditors	574,737	616,198
	Other creditors including taxation and social security costs	774,863	297,327
	Accruals	658,796	230,062
	Dividend payable	108,601	108,601
	Current portion of medium term loan – see note 13	<u>1,644,413</u>	<u>846,517</u>
		<u>3,761,410</u>	<u>2,098,705</u>

10. OVERDRAFT

An amount of Tzs. 477,937,969 represents the outstanding total of the unsecured bank overdraft facility of Tzs. 975,000,000 from NBC (1997) Limited. It comprises the principal amount of Tzs. 131,872,224 and interest accrued of Tzs. 346,065,745. This overdraft facility was given to finance certain capital expenditure and meet daily working capital requirements.

11. SHARE CAPITAL

Authorized: 30 million ordinary shares of Tzs. 100 each		<u>3,000,000</u>	<u>3,000,000</u>
Issued and fully paid: 13,843,630 ordinary shares of Tzs. 100 each		<u>1,384,363</u>	<u>1,384,363</u>

12. SHARE PREMIUM ACCOUNT

Balance as at 31 December		<u>2,280,339</u>	<u>2,280,339</u>
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In 1998, the company issued 7,500,000 ordinary shares of Tzs.100 each to the public at a premium of Tzs.400 each.

13. MEDIUM TERM LOANS

	PTA		EADB		TOTAL	
	Tzs '000 1999	Tzs '000 1998	Tzs '000 1999	Tzs '000 1998	Tzs'000 1999	Tzs '000 1998
Due within one year	828,169	426,327	816,244	420,190	1,644,413	846,517
Due after one year	<u>828,169</u>	<u>994,764</u>	<u>652,992</u>	<u>840,376</u>	<u>1,481,161</u>	<u>1,835,140</u>
	<u>1,656,338</u>	<u>1,421,091</u>	<u>1,469,236</u>	<u>1,260,566</u>	<u>3,125,574</u>	<u>2,681,657</u>