TOL LIMITED

REPORT AND ACCOUNTS
31 DECEMBER 2000

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

**TOL LIMITED**

**REPORT OF THE DIRECTORS**
**FOR THE YEAR ENDED 31 DECEMBER 2000**

1. The Directors present their report together with the audited financial statements for the year ended 31 December 2000

2. **Principal Activities**

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

3. **Results and appropriation**

The company made a loss of Tzs. 440 million (1999: Loss Tzs. 1.76 billion), for the period ended 31 December 2000. 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 | | 16 April 1999 | |
| Mr. V. Rweyemamu | Tanzanian | | 16 April 1999 | |
| Mr. D.E.Mattaka | Tanzanian | 28 September 2000 | | |
| Mr. S.Mworia | Tanzanian | | 16 April 1999 | |
| Mr.R.A.Makobwe | Tanzanian | | | |
| Mr. L.Beza | Malawian | (Deceased) | | |
| Mr. N. Nsemwa | Tanzanian | | 28 September 2000 | |
| Mr. S. K. Juma | Tanzanian | | 16 April 1999 | |
| Mr. H.N. Pehimwa | Zimbabwean | | 5 July 2000 | |

5. **Directors' interests**

The Directors' interests in the issued share capital of the company as at 31 December 2000 were as follows:

| | Number | Nominal Value Tzs.'000 |
|---|---|---|
| E.Mlaki | 100 | 10 |
| S.Mbatia | 400 | 40 |
| A.Masambu | 500 | 50 |
| N.Inyangete | 2000 | 200 |
| S. Mworia | 102500 | 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.5.6 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 Organization (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: 29 June, 2001

## REPORT OF THE AUDITORS TO THE MEMBERS OF TOL LIMITED

We have audited the financial statements set out on pages 6 to14 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 3.7 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 and be able to trade profitably in the foreseeable future.

2. **Government intervention**

   The Government of Tanzania has committed to inject into the company approximately Tzs. 2.6 billion through a rights issue. Subsequent to the balance sheet date the Government has injected funds and is in the process of waiving some of its liabilities. This will significantly ease the net liability position of the company.

3. **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 in the short term and will most likely be used by a potential strategic investor to satisfy the East African market, which will enable the company to effectively recover its investment in the plant.

4. **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. To date the projects have not been 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.

5. **Liability in respect of Carbon dioxide plant**

An amount of DKK 2,269,400 (Tzs 226,940,000) is payable to a creditor in respect of a contract to supply a carbon dioxide plant costing approximately DKK 4,463,800 (Tzs 448,120,882) of which 50% has been paid. The unpaid balance has not been provided for in the accounts. Non-payment of the balance could result in loss of the partly paid contract sum amounting to Tzs 250 million reflected as part of work in progress. The above amounts are exclusive of interest and storage charges which may arise subsequently.

6. **Strategic investor undertaking**

The company is still negotiating with potential investors to invest in the company together with the Government commitment as highlighted in point 2 above. Should the negotiations between the Government and the investors be successful, then matters highlighted in paragraphs 1,3,4 and 5 above will be effectively 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,
- the successful conclusion of the ongoing negotiations between the Government through the Parastatal Sector Reform Commission (PSRC) and the company in addition to the successful takeover of management,
- the identification and investment by a strategic investor in the company,

and except for:

- the non provision of the balance payable on the contract for the acquisition of the Carbon dioxide plant,

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 2000 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: 28 Jul 2001

## TOL LIMITED

### PROFIT AND LOSS ACCOUNT
### FOR THE YEAR ENDED 31 DECEMBER 2000

| | Notes | 2000<br>Tzs'000 | 1999<br>Tzs'000 |
|---|---|---|---|
| **Turnover** | 1 (b) | 2,107,380 | 2,023,843 |
| Cost of sales | | (1,703,727) | (1,805,697) |
| **Gross Profit** | | 403,653 | 218,146 |
| Operating expenses | | (1,328,465) | (2,225,294) |
| Operating loss | | (924,812) | (2,007,148) |
| Exceptional item | 3 | 484,671 | 245,512 |
| Loss before taxation | 2 | (440,141) | (1,761,636) |
| Taxation | 4 | - | - |
| **Loss after taxation** | | (440,141) | (1,761,636) |
| **Earnings per share** | 5 | (31.79) | (127.25) |

### STATEMENT OF RETAINED LOSSES

| | | 2000 | 1999 |
|---|---|---|---|
| Retained loss as at 1 January | | (2,688,796) | (927,160) |
| Loss for the year | | (440,141) | (1,761,636) |
| Retained loss as at 31 December | | (3,128,937) | (2,688,796) |

Notes and related statements forming part of these financial statements appear on pages 9 to 14

Report of the Auditors – pages 4 & 5.

## TOL LIMITED

### BALANCE SHEET
### AT 31 DECEMBER 2000

| | Notes | 2000 Tzs '000 | 1999 Tzs '000 |
|---|---|---|---|
| **Fixed assets** | 6 | 5,667,385 | 6,007,789 |
| **Current assets** | | | |
| Stock | 7 | 250,885 | 315,335 |
| Debtors | 8 | 705,706 | 775,637 |
| Cash and bank | | 68,950 | 94,281 |
| | | 1,025,541 | 1,185,253 |
| **Current liabilities – Amounts falling due within one year** | | | |
| Bank overdraft | 10 | 214,404 | 478,197 |
| Creditors | 9 | 4,605,609 | 3,761,410 |
| | | 4,820,013 | 4,239,607 |
| **Net current liabilities** | | (3,794,472) | (3,054,354) |
| **Net assets** | | 1,872,913 | 2,953,435 |
| **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 | | (3,128,937) | (2,688,796) |
| Shareholders' funds | | 565,378 | 1,005,519 |
| Medium term loans | 13 | 830,566 | 1,481,161 |
| Provision for deferred tax | 14 | 8,794 | 8,794 |
| Cylinder deposits | | 468,175 | 457,961 |
| | | 1,872,913 | 2,953,435 |

Director: ____________________

Date: June 28, 2001

Director: ____________________

Notes and related statements forming part of these financial statements appear on pages 9 to 14.

Report of the Auditors – Pages 4 & 5.

# TOL LIMITED

## CASH FLOW STATEMENT
## FOR THE YEAR ENDED 31 DECEMBER 2000

| | 2000<br>Tzs '000 | 1999<br>Tzs '000 |
|---|---|---|
| **Cash flow from Operating Activities** | | |
| Loss before taxation | (440,141) | (1,761,636) |
| Adjustments for: | | |
| Depreciation | 322,955 | 415,308 |
| Foreign exchange differences | 38,112 | 422,088 |
| Capital work in progress written off | - | 13,735 |
| Write back of interest | (82,179) | - |
| Interest | 501,070 | 592,889 |
| Profit on sale of fixed assets | (247,383) | (243,604) |
| Operating loss before working capital changes | 92,434 | (561,220) |
| (Increase)/Decrease in debtors | 69,931 | 972 |
| Increase/(decrease) in creditors | 32,199 | 458,721 |
| Decrease/(increase) in stocks | 64,450 | 104,423 |
| **Cash generated from operations** | 259,014 | 2,896 |
| **Returns on investment and servicing of finance** | | |
| Interest paid | (295,598) | (164,000) |
| Dividend paid | - | - |
| Corporation tax paid | - | (13,880) |
| | (36,584) | (174,984) |
| **Cash flow from Investing Activities** | | |
| Purchase of fixed assets | (13,924) | (112,588) |
| Addition to Capital Work in progress | - | (1,709) |
| Proceeds from sale of fixed assets | 278,756 | 297,540 |
| | 228,248 | 8,259 |
| **Cash flow from Financing Activities** | | |
| Loan repayments | - | - |
| Cylinders Deposits received | 10,214 | 2,881 |
| Proceeds from ordinary share issue | - | - |
| | 10,214 | 2,881 |
| Net increase in cash and equivalents | 238,462 | 11,140 |
| Cash and cash equivalents at 1 January | (383,916) | (395,056) |
| **Cash and cash equivalents at 31 December** | (145,454) | (383,916) |
| **Analysis of cash and cash equivalents** | | |
| Bank and cash balances | 68,950 | 94,281 |
| Bank overdraft | (214,404) | (478,197) |
| | (145,454) | (383,916) |

## 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 |

The company has revised the estimated useful life of the Aspen plant resulting in a change of the depreciation rate from 6.64% per annum in 1999 to 5% per annum in 2000.

### (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.

## 2. LOSS BEFORE TAXATION

| | 2000<br>Tzs '000 | 1999<br>Tzs '000 |
|---|---|---|
| The loss is stated after charging: | | |
| Directors' fees: | | |
| Non executive | | |
| Executive | 21,000 | 21,000 |
| Depreciation | 3,000 | 3,000 |
| Audit fees | 322,955 | 415,307 |
| Interest expense | 9,000 | 9,000 |
| Exchange differences | 501,070 | 592,889 |
| | 40,228 | 422,088 |

## 3. EXCEPTIONAL ITEM

### I) DISPOSAL OF PROPERTIES

The amount represents profit on disposal of properties. Titles to these properties have not yet been transferred or are in the process of being transferred to the new owners. One of the properties in spite of being sold is still occupied by the former managing director of the company who has refused to vacate. The matter is being resolved through both the Housing tribunal of Dar es salaam and the Resident magistrates court – Kisutu. The directors are confident the sale will be successfully concluded and the titles will be transferred to the new owners in the current year.

### II) WRITE BACK OF INTEREST AND PENALTIES

| | 2000<br>Tzs '000 | 1999<br>Tzs '000 |
|---|---|---|
| Interest and penalties written back | 288,802 | - |

This amount represents interest in arrears for 2000 and prior years waived in 2001 by major lenders following Government negotiations with the lenders as part of the restructuring process.

## 4. TAXATION

| | | |
|---|---|---|
| Charge for the year | - | |
| Under provision in prior years | - | - |
| | - | - |

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

| | 2000 Tzs '000 | 1999 Tzs '000 |
|---|---|---|
| Loss after taxation (Tzs. 000) | (440,141) | (1,761,636) |
| Number of shares in issue (000) | 13,844 | 13,844 |
| EPS (Tzs) | (31.79) | (127.25) |

## 6. FIXED ASSETS

| | Land and building Tzs '000 | Plant and machinery Tzs '000 | Cylinders Tzs '000 | Motor vehicles Tzs '000 | Fixture & fittings Tzs '000 | Total Tzs '000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2000 | 397,197 | 5,413,064 | 334,759 | 256,437 | 128,855 | 6,530,312 |
| Additions | - | 1,800 | - | 1,930 | 4,694 | 8,424 |
| Reversal of sale | 5,500 | - | - | - | - | 5,500 |
| Disposal | (42,371) | - | - | (21,987) | (2,205) | (66,563) |
| At 31 December 2000 | 360,326 | 5,414,864 | 334,759 | 236,380 | 131,344 | 6,477,673 |
| **Depreciation** | | | | | | |
| At 1 January 2000 | 107,478 | 759,449 | 253,141 | 177,906 | 95,023 | 1,392,997 |
| Charge for the year | 7,601 | 267,537 | 10,483 | 24,310 | 10,631 | 320,562 |
| On reversal of sale | 2,393 | | | | | 2,393 |
| Disposal | (11,801) | - | - | (21,987) | (1,401) | (35,189) |
| At 31 December 2000 | 105,671 | 1,026,986 | 263,624 | 180,229 | 104,253 | 1,680,763 |
| **Capital WIP** | | | | | | |
| At 1 January 2000 | - | 870,475 | - | - | - | 870,475 |
| Additions | - | - | - | - | - | - |
| Write off | - | - | - | - | - | - |
| At 31 December 2000 | - | 870,475 | - | - | - | 870,475 |
| **Net book value** | | | | | | |
| At 31 December 2000 | 254,655 | 5,258,353 | 71,135 | 56,151 | 27,091 | 5,667,385 |
| At 31 December 1999 | 289,719 | 5,524,090 | 81,618 | 78,531 | 33,832 | 6,007,789 |

Plant and machinery includes Aspen 1000 Air Separation Unit at net book value of Tzs.4,290,645,904 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 $CO_2$ 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.

In view of the change in depreciation rate on the Aspen plant the depreciation expense has reduced by Tzs 80 million as compared to 1999.

The reversal of sale relates to the write back of a property sold in 1999 because the disposal could not be concluded subsequently.

7. **STOCK**

| | 2000 Tzs '000 | 1999 Tzs '000 |
|---|---|---|
| Gases | 144,339 | 117,449 |
| Welding machines and equipment | 82,931 | 108,665 |
| Medical machines and equipment | 2,083 | 1,422 |
| Spares | 21,532 | 87,799 |
| | 250,885 | 315,335 |

8. **DEBTORS**

| | | |
|---|---|---|
| Trade debtors (net) | 353,146 | 338,370 |
| Other debtors | 36,782 | 113,139 |
| Prepayments and deposits | 48,688 | 28,730 |
| Corporation tax recoverable | 153,481 | 139,677 |
| Staff debtors | 113,609 | 155,721 |
| | 705,706 | 775,637 |

Included in staff debtors is an amount of Tzs 30,804,195 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 25,500,000 receivable from other former directors for which demand notices for repayment have been issued in the subsequent year.

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

9. **CREDITORS**

| | 2000 Tzs.'000 | 1999 Tzs.'000 |
|---|---|---|
| Trade creditors | 451,116 | 574,737 |
| Other creditors including taxation and social security costs | 675,822 | 625,868 |
| Accruals | 1,047,853 | 807,791 |
| Dividend payable | 108,601 | 108,601 |
| Current portion of medium term loan – see note 13 | 2,322,217 | 1,644,413 |
| | 4,605,609 | 3,761,410 |

PAYE, VETA and other taxes have not been paid for in the current and prior years. No further provision has been made in 2000 for penalties incurred on the taxes in arrears the company is negotiating with the Government to waive these taxes and penalties as part of the restructuring process.

10. **OVERDRAFT**

An amount of Tzs 214,404,128 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.74, 962,131 and interest accrued of Tzs.139, 441,997. This overdraft facility was given to finance certain capital expenditure and meet daily working capital requirements.

11. **SHARE CAPITAL**

| | | |
|---|---|---|
| Authorized: 60 million (30 million -1999) ordinary shares of Tzs100 each | 6,000,000 | 3,000,000 |
| Issued and fully paid: 13,843,630 ordinary shares of Tzs100 each | 1,384,363 | 1,384,363 |

**12.** **SHARE PREMIUM ACCOUNT**

| | | |
|---|---|---|
| Balance as at 31 December | 2,280,339 | 2,280,339 |

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 2000 | Tzs '000 1999 | Tzs '000 2000 | Tzs '000 1999 | Tzs'000 2000 | Tzs '000 1999 |
| Due within one year | 1,169,530 | 828,169 | 1,152,687 | 816,244 | 2,322,217 | 1,644,413 |
| Due after one year | 501,227 | 828,169 | 329,339 | 652,992 | 830,566 | 1,481,161 |
| | 1,670,757 | 1,656,338 | 1,482,026 | 1,469,236 | 3,152,783 | 3,125,574 |

**13.1** **Medium term loans comprise of two loans:**

(i) The East African Development Bank (EADB) loan of SDR 1,301,350 was acquired to finance the cost of the Aspen 1000 Air Separation Unit at an interest rate of 12% per annum. The principal and interest are repayable in 20 equal quarterly installments.

(ii) The Preferential Trade Area (PTA) loan of UAPTA 1,232,000 was also acquired to finance the cost of Aspen 1000 Air Separation Unit at an interest rate of 10% per annum. The principal and interest are repayable semi-annually in 10 equal installments.

Securities: The above loans are secured by a first charge on the company's property and other assets including its uncalled capital.

**14.** **DEFERRED TAXATION**

The company has a deferred tax liability as at 1986 of Tzs. 8,794,000 arising from a provision made in prior years. This relates principally to timing differences between book value of the assets and the tax written down value of the same assets brought forward from previous years. No further provision has been made as in the opinion of the directors such liability will not crystallize in the foreseeable future.

**15.** **CONTINGENT LIABILITIES**

*Dispute with the former Managing Director*

The suspended former managing director of company has sued the company for Tzs 600 million in respect of unlawful termination from employment. The said former director owes the company Tzs 31 million in loans and advances and the company has also demanded approximately Tzs.2 billion in respect of misadvising the board of directors, mismanagement of corporate funds and retention of a company car. The company's preliminary objection to the suit was quashed by the High Court in view of a technicality (late in submitting defence) and consequently it has appealed against this ruling and is awaiting hearing. The directors are of the opinion that the case will be successfully concluded and that no liability will arise to company in connection with the lawsuit.

## 14 CURRENCY

These financial statements are presented in Tanzania Shillings thousands (Tzs. '000).

Auditors report – Pages 4 & 5.