TOL LIMITED

ANNUAL REPORT

AND FINANCIAL STATEMENTS

31 DECEMBER 2003

MASSAWE ERNST & YOUNG

TOL LIMITED
DIRECTORS REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2003

CONTENTS

TOL LIMITED

COMPANY INFORMATION
31 DECEMBER 2003

PRINCIPAL PLACE OF BUSINESS
4B, Nyerere Road
P. O. Box 911
DAR ES SALAAM

REGISTERED OFFICE
4B, Nyerere Road,
P. O. Box 911
DAR ES SALAAM

BANKERS
NBC Bank (Tanzania) Limited
P. O. Box 911
DAR ES SALAAM

CRDB Bank Limited
Vijana Branch
P. O. Box 10876
DAR ES SALAAM

SOLICITORS
Law Associates Advocates
CRDB Building
P.O. Box 11133
Dar Es Salaam

COMPANY AUDITORS
Ernst & Young
Utalii Building
P. O. Box 2475
Dar Es Salaam

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2003

1 INTRODUCTION

The directors submit their report and the audited financial statements for the year ended 31 December 2003.

2 STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The Companies Ordinance, CAP 212 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Ordinance CAP 212. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

3 PRINCIPAL ACTIVITIES

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

4 FIXED ASSETS

Movements in the fixed assets during the year are shown in note 2 on page 15. In the opinion of the Directors, the market value of these fixed assets is in excess of the net carrying value of Tshs 4.33 billion that is reflected in the financial statements.

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

5 GOING CONCERN/FINANCIAL POSITION

At 31 December 2003, the balance sheet of the company displayed a net current liability position in excess of Tshs 3.7 billion. With total overdue amounts payable under bank loan arrangements of Tshs 3.6 billion. The Treasury Registrar has assured the Directors that the Government would take over all of the debts due by the company to the Preferential Trade Area bank (PTA) and East Africa Development Bank (EADB), as part of the completion of negotiations to dispose a majority interest in the company to a strategic investor.

Three strategic investors have submitted their bids to purchase the Government's shareholding. The process of identifying the suitable strategic investor is currently underway.

6 RESULTS

The results for the year are set out on page 9. The company made a loss of Tshs 708.8 million the in current year.

7 DIVIDENDS

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2003 due to trading losses incurred during the year.

8 RESERVES

The reserves of the company are set out on page 11.

9 MAJOR SHAREHOLDINGS

	Number of Shares	%
Treasury Registrar	22,761,811	71.96
Joseph Antony Gonsalves	1,020,185	3.22
National Bureau De Change Limited	1,000,000	3.16
Social Action Trust Fund	954,834	2.98
Parastatal Pension Fund	500,000	1.58

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

10 DIRECTORS

The directors who served during the year and to the date of this report were: -

NAME	NATIONALITY	POSITION
Mr. A.B.S Kilewo	Tanzanian	Chairman
Mr. H.K. Senkoro	Tanzanian	Vice Chairman
Mrs. E. Mlaki	Tanzanian	
Hon. S.J.Mbatia (MP)	Tanzanian	
Mr. P.L.Machunde	Tanzanian	
Mr. A.G.A Masambu	Tanzanian	
Mrs. N.S.Inyangete	Tanzanian	
Mr. K. Jagannathan	Indian	
Mr. N.Msemwa	Tanzanian	
Dr. S. Mworia	Tanzanian	
Mr.H.N. Pemhiwa	Zimbabwean	
Mr. S.K. Juma	Tanzanian	
Mr. V. Rweyemamu	Tanzanian	
Mr. R.A. Makobwe	Tanzanian	(Resigned 7/2/2003)

11 DIRECTORS' INTERESTS

The directors' interests in the share capital of the company as at 31 December 2003 were as follows:

Name	Number	Nominal value Tshs'000
E. Mlaki	250	25
S. Mbatia	1,000	100
A. Masambu	1,250	125
N. Inyangete	2,000	200
S. Mworia	107,500	10,750

12 EFFORTS TO SECURE NATIONAL BENEFITS AND SEEK NATIONAL GOALS

The above objective will be achieved by:

- Maintaining production by a schedule programme using local spare parts where possible,
- Ensuring in-house supervision of employees,
- Looking for potential export markets in neighboring countries where it is economically feasible.

TOL LIMITED

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

13 EMPLOYEE WELFARE

- **Industrial Safety**

  The company continued to comply with the standards of industrial safety established by both the Factory Ordinance and the Tanzania Bureau of Standards.

- **Management/ Employees Relationship**

  The relationship between management and employees continued to be cordial. There were no unsolved 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 expense of each employee and his/her immediate family members through selected hospitals.

- **Financial help**

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

- **Employee Motivation**

  The company provides canteen service to all employees. A canteen committee includes representatives from the shop floor to ensure that the employees' views on the quality and quantity of the food supplied by the caterers are considered.

DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

14 AUDITORS

Ernst & Young have expressed their willingness to continue in office and are eligible for reappointment.

BY ORDER OF THE BOARD

Company Secretary/Chairman / Director

Date 19/07/04

ERNST & YOUNG

Massawe Ernst & Young
Certified Public Accountants
Utalii House
36 Laibon Road, Oysterbay
P.O. Box 2475
Dar es Salaam Tanzania

Phone: 255 22 2667227 / 2667368
2666850 / 2666853
Fax: 255 22 2666948 / 2666869
E-mail: info@ey.co.tz
ernst.young@twiga.com
Website: www.ey.com/tz

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF
TOL LIMITED

We have audited the financial statements of TOL Limited for the year ended 31 December 2003 set out on pages 9 to 21. The financial statements are in agreement with the accounting records and we obtained the information and explanations we considered necessary for our audit.

Respective responsibilities of directors and auditors

The financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit so as to obtain a reasonable assurance that the financial statements are free from material misstatement. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of significant estimates and judgment made by the directors of TOL Limited in the preparation of the financial statements and whether the accounting policies are appropriate in the company's circumstances, consistently applied and adequately disclosed.

Included in the financial statements is plant and machinery valued at Tshs 3.747 billion. The plant and machinery has only operated at a maximum capacity of 15% during the year. The arms length value of the plant and machinery is under consideration through the negotiations with the potential investors currently underway. The final attributable value of the plant and machinery will only be known at the conclusion of the negotiations. If the agreed value of the plant and machinery is materially lower than the carrying amount stated in the financial statements, an impairment loss will need to be recognized to write down the asset to its recoverable amount.

Opinion

In our opinion, except for the above paragraph, the financial statements, in all material respects, give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss and cash flows for the year then ended in accordance with the International Financial Reporting Standards and in compliance with the requirements of the Companies Ordinance CAP 212.

Fundamental uncertainty

The company incurred a loss of Tshs 708.8 million for the year ended 31 December 2003 and as at that date its current liabilities exceeded its current assets by Tshs 3.7 billion bringing doubt as to the company's ability to continue in operational existence.

In forming our opinion we have considered the adequacy of the disclosures made concerning the basis of the preparation of the financial statements. As stated in Note 1(a) to the financial statements, the financial statements have been prepared on the going concern basis. The validity of this assumption depends on the outcome of the current negotiations with potential strategic investors that will lead to an assignment and subordination of the current debt and secure additional funding.

The financial statements do not include any adjustments that would result from the failure to secure such subordination of debt and raising of additional funding.

Ernst & Young

CERTIFIED PUBLIC ACCOUNTANTS

DAR ES SALAAM

..19..|..07..|........2004

TOL LIMITED

**INCOME STATEMENT FOR THE YEAR ENDED.
31 DECEMBER 2003**

	NOTES	2003 TShs.'000	2002 TShs.'000
Revenue		2,919,818	2,379,940
Cost of sales		(2,176,154)	(1,923,317)
Gross profit		743,664	456,623
Other income	11	86,532	531
		830,196	457,154
Operating expenses		(866,165)	(782,689)
Operating loss		(35,969)	(325,535)
Finance costs	13	(672,831)	(600,795)
Non-operating items	14	-	(266,794)
Loss before taxation	12	(708,800)	(1,193,124)
Taxation	10	-	(102,245)
Loss for the year		(708,800)	(1,295,369)
Loss per share Tsh	15	(22.160)	(40.50)

The notes on pages 13 to 21 form part of these financial statements.

Auditors Report - pages 7-8

TOL LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 2003

ASSETS	NOTES	2003 TShs.'000	2002 TShs.'000
Fixed assets	2	4,334,017	4,297,277
Current assets			
Inventory	3	199,282	186,994
Debtors	4	561,687	603,630
Income tax recoverable		60,776	60,497
Cash and Bank		429,495	512,305
		1,251,240	1,363,426
TOTAL ASSETS		5,585,257	5,660,703
EQUITY AND LIABILITIES			
Current liabilities			
Current portion of bank borrowings	6	2,438,171	2,295,751
Creditors	5	2,559,480	2,101,447
		4,997,651	4,397,198
Non-current liabilities			
Cylinder deposits	7	541,170	508,269
		541,170	508,269
Shareholders' equity			
Share Capital	8	3,198,559	3,198,559
Share premium	9	3,305,885	3,305,885
Accumulated losses		(6,458,008)	(5,749,208)
SHAREHOLDERS' FUNDS		46,436	755,236
TOTAL EQUITY AND LIABILITIES		5,585,257	5,660,703

The notes on pages 13 to 21 form part of these financial statements.

Auditor's report - pages 7-8.

These financial statements were approved by the Board of Directors on 19/04/2004 and were signed on its behalf by:

DIRECTOR

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003

	Share capital	Share premium	Accumulated losses	Total equity
	Tshs.'000	Tshs.'000	Tshs.'000	Tshs.'000
At 1 January 2002	1,384,363	2,280,339	(4,453,839)	(789,137)
Issue of shares	1,814,196	1,025,546	-	2,839,742
Loss for the year	-	-	(1,295,369)	(1,295,369)
At 31 December 2002	3,198,559	3,305,885	(5,749,208)	755,236
At 1 January 2003	3,198,559	3,305,885	(5,749,208)	755,236
Loss for the year	-	-	(708,800)	(708,800)
At 31 December 2003	3,198,559	3,305,885	(6,458,008)	46,436

The notes on pages 13 to 21 form part of these financial statements.

Auditor's report pages 7-8.

CASH FLOW STATEMENT FOR THE
YEAR ENDED 31 DECEMBER 2003

	NOTES	2003 TShs.'000	2002 TShs.'000
OPERATING ACTIVITIES			
Cash generated / (absorbed) from operations	16	213,638	(84,172)
Income tax (recovered) suffered		(279)	3,770
Net cash outflow from operating activities		**213,359**	**(80,402)**
INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(349,094)	(96,905)
Proceeds from sale of plant and equipment		20,024	-
Net cash inflow (outflow) from investing activities		(329,070)	(96,905)
FINANCING ACTIVITIES			
Cylinder deposits received		32,901	25,703
Application of Deposits for rights issue		-	(2,608,653)
Issue of share capital at a premium		-	2,839,742
Net cash inflow from financing activities		32,901	256,792
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(82,810)	79,485
CASH AND CASH EQUIVALENTS AT 1 JANUARY 2003		512,305	432,820
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2003		429,495	512,305

The notes on pages 13 to 21 form part of these financial statements.

Auditors Report - Pages 7-8.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of accounting

The financial statements are prepared under the historical cost convention, as modified by the revaluation of certain property, plant and equipment. No other procedures have been adopted to reflect the impact on the financial statements of specific price changes or changes in the general level of prices.

The Government of Tanzania who are the major shareholder has assured the Directors that it would take over all the debts due by the Company to East Africa Development Bank and PTA Bank to facilitate the entrance of the strategic investor.

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in the operational existence for the foreseeable future. The validity of this assumption depends to a large extent on the successful conclusion of these negotiations, and the consequent injection of additional working capital. The financial statements do not include any adjustments that would result if negotiations were not concluded successfully.

Whilst the directors are presently uncertain as to the outcome of these negotiations, they consider that they have taken into account all information that could reasonably be expected to be available, and believe that it is appropriate for the financial statements to be prepared on a going concern basis.

b) Revenue recognition

Revenue is recognised upon delivery of products to customers, and is stated net of VAT.

TOL LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

c) **Fixed assets**
Fixed assets are stated at cost or valuation less accumulated depreciation.
Depreciation is provided so as to write off the cost or valuation of these assets on a straight-line basis over their expected economic lives.

The rates applied for that purpose are:

Land and building	2%
Plant and machinery	5 - 10%
Cylinders	4%
Motor vehicles	20 & 25 %
Equipment and fittings	10 & 20%

d) **Stock**
Inventories are valued at the lower of cost or estimated net realisable value. In general, cost is determined on a weighted average cost basis. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realization.

e) **Foreign currency translations**
Transactions in foreign currencies are converted into Tanzania shillings at the rate of exchange ruling at the date of transaction. Assets and liabilities in foreign currencies at the balance sheet date are translated into Tanzania shillings using the rates of exchange ruling at the financial year-end. The resulting exchange differences are taken to the income statement.

f) **Deferred tax**
Deferred tax is provided at currently enacted rates using the balance sheet liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset is recognized only to the extent that is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that a related tax benefit will be realized.

g) **Provision**
Provisions are made when the company has a present obligation, as a result of past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

h) **Impairment of assets**
An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss recognized for the difference between the recoverable amount and the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

2 FIXED ASSETS

	Land & Buildings Tshs.'000	Plant & Machinery Tshs.'000	Cylinders Tshs.'000	Motor Vehicles Tshs.'000	Equipment & fittings Tshs.'000	TOTAL Tshs
COST						
At 1st January 2003	384,255	5,414,864	332,195	255,551	148,737	6,535,602
Additions	4,552	147,468	114,928	67,510	14,636	349,094
Disposal	-	-	-	(64,609)	-	(64,609)
At 31 December 2003	388,807	5,562,332	447,123	258,452	163,373	6,820,087
DEPRECIATION						
At 1st January 2003	116,659	1,555,971	252,877	194,485	118,333	2,238,325
Charge for the year	7,099	258,840	11,664	26,106	8,645	312,354
Disposal				(64,609)		(64,609)
At 31 December 2003	123,758	1,814,811	264,541	155,982	126,978	2,486,070
Net Book Value						
At 31 December 2003	**265,049**	**3,747,521**	**182,582**	**102,470**	**36,395**	**4,334,017**
At 31 December 2002	**267,596**	**3,858,893**	**79,318**	**61,066**	**30,404**	**4,297,277**

Certain assets are encumbered, refer Note 6 on bank loans.

TOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

	2003 TShs,'000	2002 TShs,'000
3 INVENTORY		
Gases	70,761	71,382
Welding machines and equipment	111,123	76,137
Medical machines and equipment	7,302	7,104
Spares	69,602	88,644
	258,788	243,267
Provision for obsolete stock	(59,506)	(56,273)
	199,282	186,994
4 DEBTORS		
Trade debtors	632,822	681,696
Staff debtors	48,852	88,174
Other debtors	108,561	61,623
Prepayments and deposits	151,476	142,991
	941,711	974,484
Provision for doubtful debts	(380,024)	(370,854)
	561,687	603,630
5 CREDITORS		
Trade creditors	396,457	442,742
Other creditors, including taxation and social security costs	506,319	548,398
Accrued expenses	295,091	269,846
Loan interest payable	1,253,012	731,860
Unpaid dividends - 1996	108,601	108,601
	2,559,480	2,101,447

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

6 BANK AND OTHER BORROWINGS

	2003 TShs,'000	2002 TShs,'000
PTA Bank	1,389,383	1,323,438
East African Development Bank	1,048,788	972,313
Total loans outstanding	2,438,171	2,295,751
Less: Due within one year		
- PTA Bank	(1,389,383)	1,323,438
- East Africa Development Bank	(1,048,788)	972,313
Borrowings due after more than one year	-	-

The Preferential Trade Area (PTA) Bank loan of UAPTA 1,232,222 was acquired to finance part of the construction cost of the Aspen 1000 Air Separation Unit at an interest rate of 10% per annum. The principal and interest on this loan are repayable through 10 equal semi-annual instalments, with the final instalment being payable 30 June 2003.

The East African Development Bank loan of SDR 1,301,350 was also required to finance part of the construction cost of the same plant at an interest rate of 12% per annum. On this loan the principal and interest are repayable in 20 equal quarterly instalments, the final instalment of which fell due on 10 January 2002.

The above loans are both secured by a first charge on the company's property and other assets including its uncalled capital, and are guaranteed by the former shareholder - National Development Corporation, a state corporation wholly owned by the Government. The Treasury Registrar, as majority shareholder in the company following completion of the rights issue noted above, has assured the Board of Directors that the Government will take over the liability to clear these debts prior to the sale of shares to a strategic investor.

7 CYLINDER DEPOSITS

	2003	2002
Cylinder Deposits	541,170	508,269

Cylinder deposits are made up of payments made by customers for use of the Cylinder containers to store gas. The deposits are refundable to the customers upon the return of the Cylinders

TOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

	2003 TShs,'000	2002 TShs,'000
8 SHARE CAPITAL		
Authorised:		
60 million ordinary shares of Tshs.100 each	6,000,000	6,000,000
Issued and fully paid:		
31 985 590 ordinary shares of Tshs.100 each	3,198,559	3,198,559
9 SHARE PREMIUM		
Balance as at beginning of the year	3,305,885	2,280,339
Arising from 2001 rights issue	-	1,179,227
Expenses on right issue	-	(153,681)
Balance at year end	3,305,885	3,305,885
10 TAXATION		
Normal tax	-	-
Deferred tax release	-	-
Prior year under provision	-	102,245
	-	102,245

The taxation affairs of the company up to 2000 have been agreed with the Tanzania Revenue Authority. However, the computations for 2001 up to current year are subject to the agreement with Tanzania Revenue Authority.

11 OTHER INCOME		
Profit (loss) on disposal of fixed assets	20,024	(282)
Liability written off with creditor's consent	66,508	-
Sundry income	-	813
	86,532	531

12 OPERATING LOSS BEFORE TAXATION	2003 TShs,'000	2002 TShs,'000
The operating loss before taxation is stated after charging:		
Directors' fees	24,000	24,000
Depreciation	312,354	311,807
Audit fees	9,438	9,382

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

13 FINANCE COSTS

Interest expense	454,417	425,250
Exchange losses - Loans	209,155	168,454
- Others	9,259	7,091
	672,831	600,795

14 NON-OPERATING ITEMS

Reversal of provision made for :		
NIC pension scheme	-	406,940
Statutory and other taxes, penalties and other provisions	-	167,312
		574,252
Write off of capital work in progress	-	(841,046)
TOTAL	-	**(266,794)**

15 LOSS PER SHARE

The loss per share is calculated based on the loss after taxation for the year of Tshs 708,800,000 (2002 - Tshs 1,295,369,000) divided by 31,985,589 (2002 - 31,985,589) being the number of ordinary shares in issue throughout the year.

16 CASH FLOW FROM OPERATIONS

Loss before taxation	(708,800)	(1,193,124)
Adjustments for:		
Depreciation	312,354	311,807
Exchange loss on loans	209,155	168,454
Loan interest and other charges	463,677	435,826
(Profit) / Loss on sale of fixed assets	(20,024)	282
Write-off of Capital work in progress	-	841,046
Operating result before working capital changes	256,362	564,291
Decreased/(Increase) in debtors	41,943	(7,219)
Decrease in creditors	(72,379)	(658,630)
(Increase) decrease in Stocks	(12,288)	17,386
Cash generated from / (absorbed by) operations	213,638	(84,172)

TOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

17 EMPLOYEE BENEFITS

All employees with the exception of four are members of the National Social Security Fund. The other four employees are members of the Parastatal Pension Fund. The company contributes 10% for those on National Social Security Fund and 15% for those on Parastatal Pension Fund of pension emoluments for each individual

The company contributions during the year are as follows:

National Social Security Fund	70,921	73,177
Parastatal Pension Fund	10,920	10,920
	81,841	84,097

The number of staff employed by the company as at 31 December 2003 was 113 (31 December 2002 -115)

18 CONTINGENT LIABILITIES

The company had the following contingent liabilities at the end of the year:-

a) **Potential penalties and interest - Tanzania Revenue Authority**
At the end of the year, there were potential penalties and interest arising from non payment of employees' statutory dues over the years. The potential liability is estimated at Tshs 65,695,067. The outcome of the liability is depended on whether TRA issues the assessment for penalties.

b) **Preferential Trade Area (PTA) bank**
The PTA bank is claiming that the company owes them a total of Tshs 156,912,753 for interest accrued over the years and a portion for the capital amount. The company has not accrued for this amount as they have not been provided with the calculations of the amount by PTA and TOL management are confident that the interest will be reversed and no liability will arise.

c) **High Court Case No. 199/1999**
TOL Limited is suing Omari Ali Malima for non disclosure of a clause included in the Non-contributory staff endowment scheme. The appeal on the case has been allowed and the hearing date is still to be advised. The potential loss to TOL Limited if the case is not ruled in their favour is estimated at Tshs 88,748,918.

d) **District Court Temeke Civil Case No. 65 of 2003**
In this case, a fast food company is claiming an amount of Tshs 26,649,360 against TOL for breach of contract. Hearing of the case is still to be done.

TOL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

19 FINANCIAL RISK MANAGEMENT

a) Treasury risk management
The company does not use derivative financial instruments for speculative purposes.

b) Foreign Currency risk
Foreign Currency risk is managed by the company and monitored by the relevant heads of departments.

c) Interest rate risk
The company has adopted a non- speculative approach to the management of interest rate risk.

d) Credit risk management
Potential concentration of credit risk consists principally of short term cash and cash equivalent investments and trade debtors.
Trade debtors are presented net of allowance for doubtful debts.

20 COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

21 INCORPORATION

The company is incorporated in Tanzania under the Companies Ordinance Cap. 212.

22 CURRENCY

The financial Statements are presented in thousands of Tanzania Shillings (TShs.'000)