

REPORT OF THE DIRECTORS FOR YEAR ENDED 31 DECEMBER, 2004

1.0 INTRODUCTION

The Directors submit their report and audited financial statements for the year ended 31 December, 2004.

2.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE 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 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 Accounting 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.

3.0 PRINCIPAL ACTIVITIES

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

4.0 PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment during the year are shown in note 2 on page 24. In the opinion of the Directors, the market value of these assets is in excess of the net carrying value of TZS 4.1 billion.

5.0 GOING CONCERN/FINANCIAL POSITION

During the year under review the Government settled the whole debt of East African Development Bank and PTA loan as part of the completion of negotiations to dispose a majority interest in the Company to a strategic investor. Also a debt of TZS. 915,854,499 payable to the Government in respect of various taxes was cancelled on 10th November, 2005.

TOL LIMITED

On 28th January, 2005. SAAMI Holdings (of Tanzania) together with Swedfund (of Sweden) won the tender for the acquisition of majority interest in the Company.

6.0 RESULTS

The results for the year are set out on page 8. The Company made a profit of TZS 3,738,606,000 in current year as compared to a loss of Tzs. 786,186,000 incurred in the previous year.

7.0 DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December, 2004 due to accumulated trading losses incurred in previous years.

8.0 RESERVES

The reserves of the Company are set out on page 10.

9.0 SHAREHOLDINGS AS AT 31ST DECEMBER, 2004

	Number of Shares	%
Treasury Registrar	22,761,811	71.16
Joseph Antony Gonsalves	1,020,185	3.19
National Bureau De Change Limited	1,000,000	3.13
Social Action Trust Fund	954,834	2.99
Parastatal Pension Fund	500,000	1.56
Others	5,748,760	17.97
Total	<u>31,985,590</u>	<u>100.00</u>

10.0 DIRECTORS

10.1 The names of Directors who served the Company up to 8th April, 2005 are as follows:

	Name	Nationality	Position
1.	Mr. H. K. Senkoro	Tanzanian	Acting Chairman
2.	Mrs. E. Mlaki	Tanzanian	Member
3.	Hon. S. J. Mbatia (MP)	Tanzanian	Member
4.	Mr. P.L. Machunde	Tanzanian	Member
5.	Mr. A. G. A. Masambu	Tanzanian	Member
6.	Ms. N. S. Inyangete	Tanzanian	Member
7.	Mr. K Jagannathan	Indian	Member
8.	Mr. N. Nsemwa	Tanzanian	Member
9.	Dr. S. Mworia	Tanzanian	Member
10.	Mr. H. N. Pemhiwa	Zimbabwean	Member
11.	Mr. S. K. Juma	Tanzanian	Member
12.	Mr. V. Rweyemamu	Tanzanian	Member
13.	Mr. N. L. Mapogha	Tanzanian	Member

TOL LIMITED

10.2 Names of Directors with effect from 8th April, 2005 to date are as follows:

	Name	Nationality	Position
1.	Mr. E. Massawe	Tanzanian	Chairman
2.	Mr. A. B. S. Kilewo	Tanzanian	Managing Director
3.	Mr. O. Arefalk	Swedish	Director
4.	Mr. G. Mwamukonda	Tanzanian	Director
5.	Mr. S. Karim	Tanzanian	Director
6.	Mr. V. Rweyemamu	Tanzanian	Director
7.	Mrs. A. Bukuku	Tanzanian	Director

11.0 DIRECTORS INTERESTS

The Directors' interests in the share capital of the Company as at 31 December, 2004 were as follows"-

Name	Number	Nominal value Tzs '000'
Mrs. E. Mlaki	250	25
Hon. S. J. Mbatia (MP)	1,000	100
Mr. A. G. A. Masambu	1,250	125
Ms. N. S. Inyangete	2,000	200
Dr. S. Mworira	107,500	10,750

12.0 EFFORTS TO SECURE NATIONAL BENEFITS AND SEEK NATIONAL GOALS

The above objective will be achieved by:-

- Maintaining production using local materials where possible.
- Ensuring in-house supervision of employees
- Looking for potential export markets in neighbouring countries where it is economically feasible.

13.0 EMPLOYEES 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 and Commercial Organization (TUICO)

TOL LIMITED

representative, has the responsibility of 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.

- **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 assessments by the management as to the employee's need and the ability of the Company as prescribed by the Company's Staff Regulations.

- **Employees 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.

14. AUDITORS

Ernst & Young resigned due to the fact that one of their partners, Mr. Ernest Massawe is a member of SAAMI Holdings which joined Swedfund to acquire majority interest in TOL Limited, and has been elected Chairman of TOL Limited Board effective from 8th April, 2005. TAC Associates were appointed auditors for 2004 accounts and they have expressed willingness to continue providing the service.

BY ORDER OF THE BOARD


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COMPANY SECRETARY/CHAIRMAN/DIRECTOR

DATE.....17/3/2006.

TOL LIMITED

REPORT OF THE AUDITORS

We have audited the accompanying balance sheet of TOL Limited for the year ended 31st December, 2004 and the related profit and loss account, the statement of changes in equity and cash flows for the year then ended. We received all the information and explanations which we considered necessary for audit purposes.

RESPECTIVE RESPONSIBILITIES OF BOARD OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of financial statements which give a true and fair view of the Company's state of affairs and of the operating results. Our responsibility is to express an independent opinion based on our audit of the financial statements and report our opinion.

BASIS OF OPINION

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examination, on test basis, of evidence assessing the accounting principles used and judgements made by management in the preparation of the financial statements as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis of our opinion.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of TOL Limited as at 31st December, 2004, the results of its operations, the statement of changes in equity and the cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS), Public Finance Act, 2004, Public Procurement Act, 2004 and the Companies Ordinance CAP 212.

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EMPHASIS OF MATTER

Without qualifying our opinion above, we draw attention to the following matter:-

Under-valued Buildings

The Company's first revaluation of its assets was made in 1995, but the results had not been included in the financial statements despite the fact that the value of Tanzania Shilling has maintained a depreciating trend. As a result, the carrying value of most of landed properties are very low compared to the current realizable and or replacement values. As at 31st December, 2004 carrying values of all Company landed properties were reported in the financial statements at Tzs. 257,858,748. We are of the view that the stated carrying amount could not be fair value in the absence of the most recent valuation by a competent valuer.

TAC ASSOCIATES (Certified Public Accountants)

ORIGINAL SIGNED BY:-
S. F. SAYORE

**S. F. SAYORE – FCCA
MANAGING PARTNER**

DAR ES SALAAM

7TH FEBRUARY, 2006

24 MAR 2006

TOL LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 2004

	NOTE	31.12.2004 TZS. '000'	31.12 2003 (As Restated) TZS. '000'
ASSETS			
Non Current Assets			
Property, Plant and Equipment	2	4,165,039	4,334,017
Current Assets			
Inventories	3	292,133	199,282
Receivables	4	743,282	561,687
Income Tax Recoverable		61,087	60,776
Cash and Bank Balances		272,621	429,495
		<u>1,369,123</u>	<u>1,251,240</u>
TOTAL ASSETS		<u>5,534,162</u>	<u>5,585,257</u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share Capital	5	3,198,559	3,198,559
Share Premium	6	3,305,885	3,305,885
Accumulated Profit/(Loss)		<u>(2,796,788)</u>	<u>(6,535,394)</u>
		<u>3,707,656</u>	<u>(30,950)</u>
Non Current Liabilities			
Cylinder Deposits	7	565,408	541,170
Current Liabilities			
Current Portion of Bank Borrowings	8	0	2,476,318
Payables	9	1,261,098	2,598,719
		<u>1,261,098</u>	<u>5,075,037</u>
TOTAL EQUITY AND LIABILITIES		<u>5,534,162</u>	<u>5,585,257</u>

The Notes on pages 11 to 30 form part of the financial statements. Auditors Report is on page 5.


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CHAIRMAN

DATE: 17.3.2006


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DIRECTOR

TOL LIMITED

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST DECEMBER, 2004**

		2004	2003
			(As Restated)
	NOTE	TZS. '000'	TZS. '000'
Revenue		3,203,718	2,919,818
Cost of Sales	10	(2,397,209)	(2,176,154)
Gross Profit		806,509	743,664
Other Income	11	8,266	86,532
Government Subvention	12	4,311,018	0
		5,125,793	830,196
Operating Expenditure	13	(843,631)	(866,165)
Operating Profit/(Loss)		4,282,162	(35,969)
Finance Costs	14	(543,556)	(750,217)
Profit/(Loss) Before Taxation		3,738,606	(786,186)
Taxation		0	0
Net Profit/(Loss) for the Year		3,738,606	(786,186)
Accumulated Profit/(Loss) Brought Forward		(6,535,394)	(5,749,208)
Accumulated Profit/(Loss) Carried Forward		(2,796,788)	(6,535,394)
Profit/(Loss) per Share		116.884	(24.579)

The Notes on pages 11 to 30 form part of the financial statements. Auditors Report is on page 5.


CHAIRMAN

DATE: 17.3.2006


DIRECTOR

TOL LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2004

	2004	2003 (As Restated)
	TZS. '000'	TZS. '000'
Cash Flows From/(Used in) Operating Activities		
Profit/(Loss) for the Year Before Taxation	3,738,606	(786,186)
Adjustments for:		
Depreciation	335,151	312,354
(Profit)/Loss on Sale of Property, Plant and Equipment	0	(20,024)
Operating Profit/(Loss) Before Changes in Working Capital Items	4,073,757	(493,856)
Changes in Working Capital Items		
(Increase)/Decrease in Inventories	(92,851)	(12,288)
(Increase)/Decrease in Receivables	(181,595)	41,943
Increase/(Decrease) in Payables	(3,813,939)	1,352,839
	(4,088,385)	1,382,494
Tax Adjustment	(14,628)	888,638
	(311)	(675,279)
Net Cash Flows From/(Used in) Operating Activities (A)	(14,939)	213,359
Cash Flows From/(Used in) Investing Activities		
Purchase of Property, Plant and Equipment	(166,173)	(349,094)
Proceeds From Sale of Property, Plant and Equipment	0	20,024
Net Cash Flows From/(Used in) Investing Activities (B)	(166,173)	(239,070)
Cash Flows From/(Used in) Financing Activities		
Cylinder Deposits Received	24,238	32,901
Net Cash Flows From/(Used in) Financing Activities (C)	24,238	32,901
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(156,874)	82,810
Cash and Cash Equivalents at 1 st January	429,495	51,305
Cash and Cash Equivalents at the end of the Year	272,621	429,495

The Notes on pages 11 to 30 form part of the financial statements. Auditors Report is on page 5.


CHAIRMAN

DATE: 17.3.2006


DIRECTOR

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

		31.12.2005	31.12.2004
	NOTE	TZS. '000'	TZS. '000'
Revenue		3,369,008	3,203,718
Cost of Sales		(2,594,817)	(2,397,209)
Gross Profit		774,191	806,509
Other Income		41,000	8,266
Government Subvention		-	4,311,018
Operating Expenditure		815,191	5,125,793
Operating Profit/(Loss)		(1,113,452)	(843,631)
Finance Costs		(298,261)	4,282,162
Profit/(Loss) Before Taxation		42,022	(543,556)
Taxation		(340,283)	3,738,606
Net Profit/(Loss) for the Year		(340,283)	3,738,606
Accumulated Profit/(Loss) Brought Forward		(2,796,788)	(6,535,394)
Accumulated Profit/(Loss) Carried Forward		(3,137,071)	(2,796,788)
Profit/(Loss) per Share		(11)	117

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
31ST DECEMBER, 2004

	SHARE CAPITAL	SHARE PREMIUM	ACCUMULA- TED PROFIT/ (LOSSES)	TOTAL EQUITY
	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'
At 1 st January 2002 (As Restated)	1,384,363	2,280,339	(4,453,8390	(789,137)
Issue of Shares	1,814,196	1,025,546	0	2,839,742
Profit/(Loss) for the Year	0	0	(1,295,369)	(1,295,369)
At 31st December, 2002				
(As Restated)	3,198,559	3,305,885	(5,749,208)	755,236
At 1 st January, 2003	3,198,559	3,305,885	(5,749,208)	755,236
Profit/(Loss) for the Year	0	0	(786,186)	(786,186)
At 31st December, 2003				
(As Restated)	3,198,559	3,305,885	(6,535,394)	(30,950)
At 1 st January, 2004	3,198,559	3,305,885	(6,535,394)	(30,950)
Profit/(Loss) for the Year	0	0	3,738,606	3,738,606
At 31st December, 2004	3,198,559	3,305,885	(2,796,788)	3,707,656

The Notes on pages 11 to 30 form part of the financial statements. Auditors Report is on page 5.


 CHAIRMAN

DATE: 17/3/2006


 DIRECTOR

TOL LIMITED

NOTES ON THE ACCOUNTS

NOTE 1: PRINCIPAL ACCOUNTING POLICIES

1.1 Basis of Accounting

These financial statements are first published financial statements of TOL Limited prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment. No adjustments have been made for inflationary factors affecting the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are separately disclosed in a note.

1.2 Adoption of International Financial Reporting Standards

For the purpose of preparing financial statements for the year ended on 31st December, 2004, the Company adopted IASs (as revised in March 2004) shown below which are relevant to its operations. The financial statements for the year ended 31st December, 2003 have been amended accordingly in order to comply with the requirements of the following standards:

IFRS 1	First – time Adoption of International Financial Reporting Standards.
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 12	Income Taxes
IAS 16	Property, Plant and Equipment
IAS 18	Revenue
IAS 19	Employees Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effect of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets

The results of adoption of the above IASs are disclosed in the financial statements under NOTE 1(A) – 1(F).

TOL LIMITED

1.3 Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write off the cost of each asset value over its estimated useful life at a given rate per annum as detailed below: -

Asset Description	Rate p.a.
Buildings	2%
Plant and Machinery	5-10%
Cylinders	4%
Motor Vehicles	20 & 25%
Equipment and Fittings	10 & 20%

Depreciation is charged on assets from the date when they are ready for use and stop on the date when the asset is derecognised by the Company.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Gain and losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are credited/charged to income and expenditure account.

Expenditures on tools and other minor assets are written off during the year of acquisition. However, they are recorded in memoranda registers.

Asset's Carrying Amount and Residual Value

Asset's carrying amount is written down immediately to its recoverable amount when there is strong evidence that carrying amount is greater than its estimated recoverable amount. Likewise, the assets' residual values and useful lives are reviewed only when the conditions to warrant the review exist at the balance sheet date.

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1.4 Inventories

Inventories are valued at the lower of cost and estimated net realizable value. In general cost is determined on a weighted average cost basis.

Impairment of Inventories

When there is objective evidence that the value of inventories is impaired either through damage and/or obsolescence, provision is made at 100% of the value of specific inventory item(s) through Profit and Loss Account.

1.5 Provision for Impairment of Receivables

Receivables are recognized initially at fair value and subsequently measured at value less provision for bad and doubtful debts. Specific provision is made in the financial statements against receivables considered to be doubtful of recovery.

1.6 Foreign Currency Translations

(i) Functional and Presentation Currency

The financial statements are presented in Tanzania Shillings, which is the Company's functional and presentation currency.

(ii) Transactions and Balances

Foreign currency transactions are translated into Tanzanian shillings at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the year end expressed in foreign currencies are translated into Tanzanian shillings at the rates of exchange ruling at the end of the financial year. The resultant gains/losses on exchange rate translations are dealt with in the Profit and Loss Account.

1.7 Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at face value. For the purpose of Cash Flow Statement, cash and cash equivalents comprise cash in hand, deposits held on call and fixed deposits.

1.8 Revenue Recognition

Revenue is recognized on accrual basis of accounting. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company upon delivery of products to customers, and is stated net of VAT.

TOL LIMITED

1.9 Accounting for Government Assistance/Grants

Grants given by the Government to the Company to assist in carrying out its functions are credited to Profit and Loss Account.

Grants which are received in the form of long lived assets are debited to Property, Plant and Equipment Account and are correspondingly credited to Capital Grants Account.

1.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Company expects a provision to be reimbursed, for example under insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

1.11 Employees Benefits

(i) Retirement Benefits

The Company has statutory obligations to contribute to pension schemes in favour of all the employees employed under permanent and pensionable terms. The pension schemes in force which the Company contributes are the National Social Security Fund (NSSF) and the Parastatal Pensions Fund (PPF). The Company contributes 10% for those on NSSF and 15% for those on PPF of pension emoluments for each individual.

Contributions to these funds are recognised as an expense in the period the employees render the related services and were as follows:

	2004 TZS. '000'	2003 TZS. '000'
National Social Security Fund	39,201	70,921
Parastatal Pensions Fund	<u>9,828</u>	<u>10,920</u>
Total	<u>49,029</u>	<u>81,841</u>

The number of staff employed by the Company as at 31st December, 2004 was 109 (31st December, 2003 was 113)

(ii) Short Term Benefits

The cost of all short-term employee benefits such as salaries, employees entitlements to leave pay, medical aids, long service awards, other contributions, etc, are recognised during the period in which the employees render the related services.

TOL LIMITED

(iii) Termination Benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange of these benefits.

The Company recognises termination benefits when it is constructively obliged to either terminate the employment of the current employees according to detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(iv) Workman's Compensation Scheme and Group Personal Accident

In order to ensure that employees welfare is safeguarded, the Company complies fully with the Workman's Compensation Act which requires compensation to employees injured in the course of their employment.

Also, the Company runs an insurance policy known as 'group personal insurance', to ensure that staff and management employees injured at work are compensated.

1.12 Taxation

Corporation Tax

The Company provides for corporation tax based on the taxable profits at the rate prescribed by legislation from time to time. The current corporation tax rate is 30%.

Deferred Tax

In accordance with IAS 12 deferred tax assets and liabilities are accounted for using the balance sheet liability method whereby deferred tax is provided for on all temporary differences i.e. the differences between the tax base of the assets or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax assets and liabilities are calculated based on current tax rates and are not classified as current assets or current liabilities.

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 asset is reduced to the extent that it is no longer probable that a related tax benefit will be realized.

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1.13 Borrowing Costs

Borrowing Costs Attributable to a Qualifying Asset

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset during the construction period (i.e before the commissioning of the asset).

Borrowing Costs not Attributable to a Qualifying Asset

Interest and other costs incurred by the Company in connection with the borrowing of funds other than those attributable to a qualifying asset and/or those incurred subsequent to commissioning of the qualifying asset are charged against income and expenditure in the period in which they are incurred.

1.14 Financial Risk Management

The overall risk management focuses on the unpredictable financial markets and is aimed at minimizing potential adverse effects on the Company's financial performance. The role of the Company's risk management is primarily vested in the Finance Department under guidance of the Board of Directors. The specific risk management policies of the Company are as follows:-

(i) Treasury Risk Management.

The Company does not use derivative instruments for speculative purposes.

(ii) Foreign Currency Risk

Foreign currency risk is managed at an operational level and monitored by the relevant heads of departments. Losses arising from foreign liabilities are managed through timely payment of outstanding liabilities.

(iii) Interest Rate Risk

The Company has adopted a non-speculative approach to the management of interest rate risk.

(iv) Liquidity Risk

The Company has a prudent liquidity risk management through maintaining marketable assets to cover committed credit facilities, working capital as well as capital projects requirements.

TOL LIMITED

(v) Credit Risk Management

The potential credit risk involves short term cash and trade receivables which are managed as follows:-

Short Term Cash Surpluses

The Company deposits her short term cash surpluses with banks of high credit standing.

Trade Receivables

Regular customers are required to deposit money in advance to cover services to be rendered. Additional cost of service rendered is settled through normal business transactions through raising of invoices.

Irregular customers are normally required to settle their bills on cash terms.

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NOTE 1A) RECONCILIATION OF EQUITY AS AT 31ST DECEMBER, 2003

	*TFAS 31.12.2003	Effects of Transition to IFRS	*IFRS 31.12.2003
	TZS. '000'	TZS. '000'	TZS. '000'
ASSETS			
Non Current Assets			
Property, Plant and Equipment	4,334,017	0	4,334,017
Current Assets			
Inventories	199,282	0	199,282
Receivables	561,687	0	561,687
Income Tax Recoverable	60,776	0	60,776
Cash and Bank Balances	429,495	0	429,495
TOTAL ASSETS	<u>1,251,240</u> <u>5,585,257</u>	<u>0</u> <u>0</u>	<u>1,251,240</u> <u>5,585,257</u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share Capital	3,198,559	0	3,198,559
Share Premium	3,305,885	0	3,305,885
Accumulated Profit/(Loss)	<u>(6,458,008)</u> 46,436	<u>(77,386)</u> (77,386)	<u>(6,535,394)</u> (30,950)
Non Current Liabilities			
Cylinder Deposits	541,170	0	541,170
Current Liabilities			
Current Portion of Bank Borrowings	2,438,171	38,147	2,476,318
Payables	<u>2,559,480</u> 4,997,651	<u>39,239</u> 77,386	<u>2,598,719</u> 5,075,037
TOTAL EQUITY AND LIABILITIES	<u>5,585,257</u>	<u>0</u>	<u>5,585,257</u>

*TFAS = Tanzania Financial Accounting Standards
 * IFRS = International Financial Reporting Standards

TOL LIMITED

NOTE1 (B) RECONCILIATION OF PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 2003

	TFAS 2003	Effects of Transition to IFRS	IFRS 2003
	TZS. '000'	TZS. '000'	TZS. '000'
Revenue	2,919,818	0	2,919,818
Cost of Sales	(2,176,154)	0	(2,176,154)
Gross Profit	743,664	0	743,664
Other Income	86,532	0	86,532
	830,196	0	830,196
Operating Expenses	(866,165)	0	(866,165)
Operating Profit/(Loss)	(35,969)	0	(35,969)
Finance Costs	(672,831)	(77,386)	(750,217)
Profit/(Loss) Before Taxation	(708,800)	(77,386)	(786,186)
Taxation	0		0
Net Profit/(Loss) for the Year	(708,800)	(77,386)	(786,186)
Accumulated Profit/(Loss)			
Brought Forward	(5,749,208)	0	(5,749,208)
Accumulated Profit/(Loss)			
Carried Forward	(6,458,008)	(77,386)	(6,535,394)
Profit/(Loss) per Share	(22,106)	(2.473)	(24.579)

TOL LIMITED

NOTE 1(C) RECONCILIATION OF CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2003

	TFAS 2003	Effects of Transition to IFRS	IFRS 2003
	TZS. '000'	TZS. '000'	TZS. '000'
Cash Flows From/(Used in) Operating Activities			
Profit/(Loss) for the Year Before Taxation	(708,800)	(77,386)	(786,186)
Adjustments for:			
Depreciation	312,354	0	312,354
Exchange Loss on Loans	209,155	(209,155)	0
Loan Interest and Other Charges	463,677	(463,677)	0
Loss/(Profit) on Sale of Property, Plant and Equipment	(20,024)	0	(20,024)
Operating Profit/(Loss) Before Changes in Working Capital Items	256,362	(750,218)	(493,856)
Changes in Working Capital Items			
(Increase)/Decrease in Inventories	(12,288)	0	(12,288)
(Increase)/Decrease in Receivables	41,943	0	41,943
Increase/(Decrease) in Payables	(72,379)	1,425,218	1,352,839
	(42,724)	1,425,218	1,382,494
	213,638	675,000	888,638
Tax Adjustment	(279)	(675,000)	(675,279)
Net Cash Flows From/(Used in) Operating Activities (A)	213,359	0	213,359
Cash Flows From/(Used in) Investing Activities			
Purchase of Property, Plant and Equipment	(349,094)	0	(349,094)
Proceeds from Sale of Property, Plant and Equipment	20,024	0	20,024
Net Cash Flows From/(Used in) Investing Activities (B)	(329,070)	0	(329,070)
Cash Flows From/(Used in) Financing Activities			
Cylinder Deposits Received	32,901	0	32,901
Net Cash Flows From/(Used in) Financing Activities (C)	32,901	0	32,901
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(82,810)	0	(82,810)
Cash and Cash Equivalents at 1st January	512,305	0	512,305
Cash and Cash Equivalents at the end of the Year	429,495	0	429,495

TOL LIMITED

NOTE 1(D) RECONCILIATION OF EQUITY ON 1ST JANUARY, 2003

	TFAS 01.01.2003 TZS. '000'	Effects of Transition to IFRS TZS. '000'	IFRS 01.01.2003 TZS. '000'
ASSETS			
Non Current Assets			
Property, Plant and Equipment	4,297,277		4,297,277
Current Assets			
Inventories	186,994	0	186,994
Receivables	603,630	0	603,630
Income Tax Recoverable	60,497	0	60,497
Cash and Bank Balances	512,305	0	512,305
	1,363,426	0	1,363,426
TOTAL ASSETS	<u>5,660,703</u>	<u>0</u>	<u>5,660,703</u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share Capital	3,198,559	0	3,198,559
Share Premium	3,305,885	0	3,305,885
Accumulated Profit/(Loss)	(5,749,208)	0	(5,749,208)
	755,236	0	755,236
Non Current Liabilities			
Cylinder Deposits	508,269	0	508,269
Current Liabilities			
Current Portion of Bank Borrowings	2,295,751	0	2,295,751
Payables	2,101,447	0	2,101,447
	4,397,198	0	4,397,198
TOTAL EQUITY AND LIABILITIES	<u>5,660,703</u>	<u>0</u>	<u>5,660,703</u>

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NOTE 1(E) RECONCILIATION OF PROFIT AND LOSS ACCOUNT ON 1ST JANUARY, 2003

	TFAS 01.01.2003	Effects of Transition to IFRS	IFRS 01.01.2003
	TZS. '000'	TZS. '000'	TZS. '000'
Revenue	2,379,940	0	2,379,940
Cost of Sales	(1,923,317)	0	(1,923,317)
Gross Profit	456,623	0	456,623
Other Income	531	574,252	574,783
Operating Expenses	(782,689)	(841,046)	(1,623,735)
Operating Profit/(Loss)	(325,535)	(266,794)	(592,329)
Finance Costs	(600,795)	0	(600,795)
Non Operating Items	(266,794)	266,794	0
Loss Before Taxation	(1,193,124)	0	(1,193,124)
Taxation	(102,245)	0	(102,245)
Net Profit/(Loss) for the Year	(1,295,369)	0	(1,295,369)
Accumulated Profit/(Loss)			
Brought Forward	(4,453,839)	0	(4,453,839)
Accumulated Profit/(Loss)			
Carried Forward	(5,749,208)	0	(5,749,208)
Profit/(Loss) per Share	(40.50)	0	(40.50)

TOL LIMITED

NOTE 1(F) RECONCILIATION OF CASH FLOW STATEMENT ON 1ST JANUARY, 2003

	TFAS 01.01.2003	Effects of Transition to IFRS	IFRS 01.01.2003
Cash Flows From/(Used in) Operating Activities	TZS. '000'	TZS. '000'	TZS. '000'
Profit/(Loss) for the Year Before Taxation	(1,193,124)	0	(1,193,124)
Adjustments for:			
Depreciation	311,807	0	311,807
Exchange Loss on Loans	168,454	(168,454)	0
Loan Interest and Other Charges	435,826	(435,826)	0
Loss/(Profit) on Sale of Property, Plant and Equipment	282	0	282
Write off of Capital Work in Progress	841,046	0	841,046
Operating Profit/(Loss) Before Changes in Working Capital Items	564,291	604,280	(39,989)
Changes in Working Capital Items			
(Increase)/Decrease in Inventories	17,386	0	17,386
(Increase)/Decrease in Receivables	(7,219)	0	(7,219)
Increase/(Decrease) in Payables	(658,630)	794,223	135,593
	(648,463)	794,223	145,760
Tax Adjustment	(84,172)	189,943	105,771
	3,770	(189,943)	(186,173)
Net Cash Flows From/(Used in) Operating Activities (A)	(80,402)	0	(80,402)
Cash Flows From/(Used in) Investing Activities			
Purchase of Property, Plant and Equipment	(96,905)	0	(96,905)
Proceeds From Sale of Property, Plant and Equipment	0	0	0
Net Cash Flows From/(Used in) Investing Activities (B)	(96,905)	0	(96,905)
Cash Flows From/(Used in) Financing Activities			
Issue of Share Capital at a Premium	2,839,742	0	2,839,742
Deposit for Right Issue	(2,608,653)	0	(2,608,653)
Cylinder Deposits Received	25,703	0	25,703
Net Cash Flows From/(Used in) Financing Activities (C)	256,792	0	256,792
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	79,485	0	79,485
Cash and Cash Equivalents at 1 st January	432,820	0	432,820
Cash and Cash Equivalents at the end of the Year	512,305	0	512,305

TOL LIMITED

NOTE 1(F) RECONCILIATION OF CASH FLOW STATEMENT ON 1ST JANUARY, 2003

	TFAS 01.01.2003	Effects of Transition to IFRS	IFRS 01.01.2003
	TZS. '000'	TZS. '000'	TZS. '000'
Cash Flows From/(Used in) Operating Activities			
Profit/(Loss) for the Year Before Taxation	(1,193,124)	0	(1,193,124)
Adjustments for:			
Depreciation	311,807	0	311,807
Exchange Loss on Loans	168,454	(168,454)	0
Loan Interest and Other Charges	435,826	(435,826)	0
Loss/(Profit) on Sale of Property, Plant and Equipment	282	0	282
Write off of Capital Work in Progress	841,046	0	841,046
Operating Profit/(Loss) Before Changes in Working Capital Items	564,291	604,280	(39,989)
Changes in Working Capital Items			
(Increase)/Decrease in Inventories	17,386	0	17,386
(Increase)/Decrease in Receivables	(7,219)	0	(7,219)
Increase/(Decrease) in Payables	(658,630)	794,223	135,593
	(648,463)	794,223	145,760
	(84,172)	189,943	105,771
Tax Adjustment	3,770	(189,943)	(186,173)
Net Cash Flows From/(Used in) Operating Activities (A)	(80,402)	0	(80,402)
Cash Flows From/(Used in) Investing Activities			
Purchase of Property, Plant and Equipment	(96,905)	0	(96,905)
Proceeds From Sale of Property, Plant and Equipment	0	0	0
Net Cash Flows From/(Used in) Investing Activities (B)	(96,905)	0	(96,905)
Cash Flows From/(Used in) Financing Activities			
Issue of Share Capital at a Premium	2,839,742	0	2,839,742
Deposit for Right Issue	(2,608,653)	0	(2,608,653)
Cylinder Deposits Received	25,703	0	25,703
Net Cash Flows From/(Used in) Financing Activities (C)	256,792	0	256,792
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	79,485	0	79,485
Cash and Cash Equivalents at 1 st January	432,820	0	432,820
Cash and Cash Equivalents at the end of the Year	512,305	0	512,305

NOTE 2: PROPERTY, PLANT AND

PARTICULARS
Cost
As At 01.01.2004 (As Restated)
Additions
Cost As At 31.12.2004
Depreciation
As At 01.01.2004 (As Restated)
Charge for the Year
Depreciation As At 31.12.2004
Net Book Value As At 31.12.2004
Net Book Value As At 31.12.2003

Balance at year end

NOTE 7.0 CYLINDER DEPOSITS

Cylinder Deposits	565,408	541,170
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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

NOTE 8.0	BANK AND OTHER BORROWINGS	31.12.2004	31.12.2003 (As Restated)
		TZS. '000'	TZS. '000'
	PTA Bank	0	1,427,530
	East African Development Bank	0	1,048,788
	Total loans outstanding	0	2,476,318
	Less: Due within one year		
	-PTA Bank	0	(1,427,530)
	-East African Development Bank	0	(1,048,788)
	Borrowings Due After More Than One Year	0	0

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 installments with the final installment being payable on 30th 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 installments with the final installment being payable on 10th January, 2002.

During the year under review the Government has taken over all the PTA and EADB loans including accrued interests.

NOTE 9.0	PAYABLES	31.12.2004	31.12.2003 (As Restated)
		TZS. '000'	TZS. '000'
	Trade Payables	342,975	396,457
	Other Payables Including Taxation and Social Security Costs	511,862	506,319
	Accrued Expenses	297,660	295,091
	Loan Interest Payable	0	1,292,251
	Unpaid Dividends – 1996	108,601	108,601
	TOTAL	1,261,098	2,598,719

NOTE 10: COST OF SALES

PARTICULARS	RAW MATERIALS	DIRECT LABOUR
	TZS. '000'	TZS. '000'
ASU Production	42,453	17,818
ASU Compression	22,624	16,345
DA Production	394,126	64,198
Oxygen Trading A/C	41,832	15,702
DA Trading A/C	13,787	11,000
CO2 Production	4,287	614
Nitrogen Trading	7,422	21
CO2 Trading	3,984	214
Medical Oxygen Trading	876	1,025
Argon		246
Helium		
Refrigerant R 12		0
N2O	105	103
LPG		
Factory Overheads		
Mwanza		
Dar		
Kyejo		
Welding Consumables		
Medical Consumables		
TOL Fleet		36,530
CO2 Fleet	1,279	47,840
Third Part Fleet		
TOTAL COSTS 2004	532,775	211,656
TOTAL COSTS 2003	460,586	195,510

Advertising	12,105 ✓	20,051 ✓
Demonstration	3,120 ✓	0 ✓
Professional Fees	425 ✓	62 ✓
Import Licence	0 ✓	80 ✓
Audit Fees	10,798 ✓	11,537 ✓
Legal Fees	8,703 ✓	17,746 ✓
Depreciation - Fixtures Fittings.	4,527 ✓	3,734 ✓
Depreciation - Office Machines	5,086 ✓	4,911 ✓
Depreciation - Motor Vehicles	1,635 ✓	924 ✓
Balance Carried Forward	446,726	442,529

TOL LIMITED

	2004	2003 (As Restated)
	TZS. '000'	TZS. '000'
Balance Brought Forward	446,726	442,529
Depreciation - Buildings	430	430
Travel Other	40,367	31,191
Bank Charges	30,936	36,431
Doubtful Debts	14,098	9,900
Directors Fees	24,000	24,000
Directors Sitting Allowances	21,363	36,200
Repair and Maintenance	3,452	11,331
Car Running Expenses	11,459	13,371
Repair to Office	0	138
Property Expenses	18,173	16,279
Site Maintenance	4,967	3,149
Light and Water	43,181	42,026
Rent & Rates	15,425	10,215
Security	14,062	15,166
Repair Office Machines	5,537	3,812
Office Cleaning	9,035	8,163
Stationery Office Supplies	47,958	49,466
Telephone and Telex	37,246	47,332
Postages	18,016	14,710
Insurance	15,239	20,683
Subscriptions	8,548	5,375
Donations	2,307	613
Miscellaneous	0	76
Annual General Meeting Expenses	11,106	23,579
TOTAL	843,631	866,165

NOTE 14.0 FINANCE COSTS

Interest Expense:	542,161	493,656
Exchange Losses - Loans	0	247,302
- Others	1,395	9,259
TOTAL	543,556	750,217

NOTE 15.0 CONTINGENT LIABILITIES

The Company had the following contingent liabilities at the end of the year.

a) Misc. CC No. 35 of 2000

There is a court case by an ex-employee, Mr. Juma Nkondo who is demanding a sum of Tzs. 50.6 million.

TOL LIMITED

b) 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 Tzs. 88,748,918.

c) District Court Temeke Civil Case No. 65 of 2003

In this case, a Fast Food Company is claiming an amount of Tzs. 26,649,360 against TOL Limited for breach of contract. Hearing of the case is still to be done.

NOTE 16.0 COMPARATIVE FIGURES

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

NOTE 17.0 INCORPORATION

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

NOTE 18.0 CURRENCY

The financial statements are presented in thousands of Tanzania shillings (Tzs '000').