

TOL LIMITED

AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2005



**TAC ASSOCIATES**

**P.O. BOX 580  
DAR ES SALAAM  
TANZANIA**

## TOL LIMITED

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER, 2005

#### INTRODUCTION

The Directors submit their report and audited financial statements for the year ended 31 December, 2005.

#### 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 industrial gases, welding equipment and related accessories.

#### 4.0 PROPERTIES, PLANT AND EQUIPMENT

Movements in the property, plant and equipment during the year are shown in note 2 on page 17. 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 RESULTS

The results for the year are set out on page 9. The Company incurred a loss of Tzs. 47,412,000 in the current year as compared to a profit of TZS 3,738,606,000 in the previous year.

## TOL LIMITED

### 6.0 DIVIDENDS

The Directors do not recommend the payment of dividend in respect of the year ended 31 December, 2005 due to trading loss incurred during the year.

### 7.0 RESERVES

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

### 8.0 SHAREHOLDINGS AS AT 31<sup>ST</sup> DECEMBER, 2005

	Number of Shares	%
SAAMI Holdings	17,691,354	55.31
Treasury Registrar	3,570,457	11.16
SWEDFUND	1,500,000	4.69
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
<b>Total</b>	<b><u>31,985,590</u></b>	<b><u>100.00</u></b>

### 9.0 DIRECTORS

9.1 The names of Directors who served the Company up to 8<sup>th</sup> 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. Mworio	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

9.2 The names of Directors, who served the Company with effect from 9<sup>th</sup> 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. S.M. Karim	Tanzanian	Director
4.	Mr. O. Arefalk	Swedish	Director
5.	Mrs. A. Bukuku	Tanzanian	Director
6.	Mr. G. R. Mwamukonda	Tanzanian	Director
7.	Mr. V. Rweyemamu	Tanzanian	Director

### 10.0 EFFORTS TO SECURE NATIONAL BENEFITS AND SEEK NATIONAL GOALS

The above objective will be achieved by: -

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

### 11.0 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) 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 locally.

## TOL LIMITED

### 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.

## 12.0 AUDITORS

TAC Associates were appointed auditors for 2005 accounts and they have expressed willingness to continue providing the service.

BY ORDER OF THE BOARD



.....  
COMPANY SECRETARY/CHAIRMAN/DIRECTOR

DATE 05/09/2006

## TOL LIMITED

### REPORT OF THE AUDITORS

We have audited the accompanying balance sheet of TOL Limited for the year ended 31<sup>st</sup> December, 2005 and the related income statement, 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 supporting the amounts and disclosures in the financial statements. An audit also includes 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.

#### OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of TOL Limited as at 31<sup>st</sup> December, 2005, 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), and the Companies Ordinance CAP 212.

TOL LIMITED

**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 have 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 values of most of landed properties are very low compared to the current realizable and or replacement values. As at 31<sup>st</sup> December, 2005 carrying values of all Company landed properties were reported in the financial statements at Tzs. 250,669,000. We are of the view that in the absence of most recent valuation by a competent valuer the stated carrying amount could not be fair value of the landed properties.

**TAC ASSOCIATES (Certified Public Accountants)**

*S. F. Sayore*

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

**DAR ES SALAAM**

**15<sup>TH</sup> AUGUST, 2006**

12 SEP 2006

TOL LIMITED

BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER, 2005

	NOTE	31.12.2005 TZS. '000'	31.12.2004 TZS. '000'
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	2	4,083,463	4,165,039
Intangible Assets	3	45,193	0
		<u>4,128,656</u>	<u>4,165,039</u>
<b>Current Assets</b>			
Inventories	4	296,449	292,133
Receivables	5	821,819	743,282
Income Tax Recoverable	6	328,779	61,087
Cash and Bank Balances		85,410	272,621
		<u>1,532,457</u>	<u>1,369,123</u>
<b>TOTAL ASSETS</b>		<u>5,661,113</u>	<u>5,534,162</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Share Capital	7	3,198,559	3,198,559
Share Premium	8	3,305,885	3,305,885
Accumulated Loss		(2,844,200)	(2,796,788)
		<u>3,660,244</u>	<u>3,707,656</u>
<b>Non Current Liabilities</b>			
Cylinder Deposits	9	593,632	565,408
Bank Borrowing	10	200,000	0
		<u>793,632</u>	<u>565,408</u>
<b>Current Liabilities</b>			
Current Portion of Bank Borrowings	10	100,000	0
Bank Overdraft	11	86,783	0
Payables	12	1,020,454	1,261,098
		<u>1,207,237</u>	<u>1,261,098</u>
<b>TOTAL LIABILITIES</b>		<u>2,000,869</u>	<u>1,826,506</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>5,661,113</u>	<u>5,534,162</u>

The Notes on pages 11 to 24 form part of the financial statements. Auditors Report is on page 5 and 6.

  
CHAIRMAN

DATE: 05/09/2006

  
DIRECTOR



TOL LIMITED

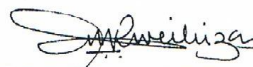
INCOME STATEMENT FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER, 2005

		2005	2004
	NOTE	TZS. '000'	TZS. '000'
Revenue		3,372,688	3,203,718
Cost of Sales	13	(3,048,668)	(2,397,209)
<b>Gross Profit</b>		<u>324,020</u>	<u>806,509</u>
Other Income	14	41,000	8,266
Government Subvention	15	592,472	4,311,018
		<u>957,492</u>	<u>5,125,793</u>
Operating Expenditure	16	(941,258)	(843,631)
		<u>16,234</u>	<u>4,282,162</u>
Finance Costs	17	(63,646)	(543,556)
(Loss)/Profit Before Taxation		<u>(47,412)</u>	<u>3,738,606</u>
Taxation		0	0
<b>Net (Loss)/ Profit for the Year</b>		<u>(47,412)</u>	<u>3,738,606</u>
Accumulated (Loss) Brought Forward		(2,796,788)	(6,535,394)
<b>Accumulated Loss Carried Forward</b>		<u>(2,844,200)</u>	<u>(2,796,788)</u>
<b>(Loss)/Profit per Share</b>		<u>(1.482)</u>	<u>116.884</u>

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CHAIRMAN



DIRECTOR

DATE: 05/09/2006

**TOL LIMITED**

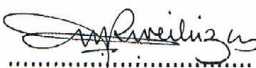
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2005**

	2005	2004
Cash Flows (Used in)/ From Operating Activities	TZS.	TZS.
	'000'	'000'
(Loss)/ Profit for the Year Before Taxation	(47,412)	3,738,606
Adjustments for:		
Depreciation	354,736	335,151
Operating Profit Before Changes in Working Capital Items	307,324	4,073,757
<b>Changes in Working Capital Items</b>		
Increase in Inventories	(4,316)	(92,851)
Increase in Receivables	(78,537)	(181,595)
Increase in Tax Recoverable	(267,692)	0
Increase in Current Portion of Bank Borrowings	100,000	0
Decrease in Payables	(240,644)	(3,813,939)
	(491,189)	(4,088,385)
Tax Adjustment	(183,865)	(14,628)
	0	(311)
<b>Net Cash Flows Used in Operating Activities (A)</b>	<b>(183,865)</b>	<b>(14,939)</b>
<b>Cash Flows Used in Investing Activities</b>		
Purchase of Property, Plant and Equipment	(273,160)	(166,173)
Purchase of Intangible Assets	(45,193)	0
<b>Net Cash Flows Used in Investing Activities (B)</b>	<b>(318,353)</b>	<b>(166,173)</b>
<b>Cash Flows From Financing Activities</b>		
Cylinder Deposits Received	28,224	24,238
Bank Borrowing	200,000	0
<b>Net Cash Flows From Financing Activities (C)</b>	<b>228,224</b>	<b>24,238</b>
<b>Net Decrease in Cash and Cash Equivalents (A+B+C)</b>	<b>(273,994)</b>	<b>(156,874)</b>
Cash and Cash Equivalents at 1 <sup>st</sup> January	272,621	429,495
<b>Cash and Cash Equivalents at the end of the Year</b>	<b>(1,373)</b>	<b>272,621</b>

The Notes on pages 11 to 24 form part of the financial statements. Auditors Report is on page 5 and 6.

.....  
  
 CHAIRMAN

DATE: 01/09/2006

.....  
  
 DIRECTOR

**TOL LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED**

**31<sup>ST</sup> DECEMBER, 2005**

	SHARE CAPITAL	SHARE PREMIUM	ACCUMULA- TED PROFIT/ (LOSSES)	TOTAL EQUITY
	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'
At 1st January, 2004	3,198,559	3,305,885	(6,535,394)	(30,950)
Issue of Shares	-	-	-	-
Profit for the Year	-	-	3,738,606	3,738,606
<b>At 31st December, 2004</b>	<b>3,198,559</b>	<b>3,305,885</b>	<b>(2,796,788)</b>	<b>3,707,656</b>
At 1 <sup>st</sup> January, 2005	3,198,559	3,305,885	(2,796,788)	3,707,656
Loss for the Year	-	-	(47,412)	(47,412)
<b>At 31<sup>st</sup> December, 2005</b>	<b>3,198,559</b>	<b>3,305,885</b>	<b>(2,844,200)</b>	<b>3,660,244</b>

The Notes on pages 11 to 24 form part of the financial statements. Auditors Report is on page 5 and 6.

  
.....  
CHAIRMAN

DATE: 05/09/2006

  
.....  
DIRECTOR

# TOL LIMITED

## NOTES ON THE ACCOUNTS

### NOTE 1: PRINCIPAL ACCOUNTING POLICIES

#### 1.1 Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of some 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 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 an asset from the date when it is ready for use and stop on the date when the asset is derecognised by the Company.

## TOL LIMITED

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.

### **1.3 Intangible Assets**

#### **Computer Software**

Intangible assets comprise computer application software and computer packages. Initially they are recognized at cost and thereafter carried at their cost less any accumulated amortization and impairment losses (cost model). The Company intangible assets have finite useful life of five years and are amortized on straight line basis with zero residual value. The useful life of intangible assets is reviewed at every balance sheet date.

### **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 Provisions 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.

## TOL LIMITED

### 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.

### 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.

## TOL LIMITED

### 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 recognized as an expense in the period the employees render the related services and were as follows:

	2005 TZS. '000'	2004 TZS. '000'
National Social Security Fund	39,440	39,201
Parastatal Pensions Fund	<u>9,828</u>	<u>9,828</u>
<b>Total</b>	<b><u>49,268</u></b>	<b><u>49,029</u></b>

The number of staff employed by the Company as at 31<sup>st</sup> December, 2005 was 106 (31<sup>st</sup> December, 2004 was 109)

#### (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.

#### (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.

## TOL LIMITED

### (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%.

### 1.13 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.

### 1.14 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.



## TOL LIMITED

### 1.15 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.

(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.

## TOL LIMITED

## NOTE 2: PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	BUILDINGS	PLANT & MACHINERY	CYLINDERS	MOTOR VEHICLES	EQUIPMENT & FITTINGS	TOTAL
	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
<b>Cost</b>						
As At 01.01.2005	388,807	5,567,495	484,879	348,208	176,251	6,965,640
Additions	0	57,408	46,516	152,462	16,774	273,160
<b>Cost As At 31.12.2005</b>	<b>388,807</b>	<b>5,624,903</b>	<b>531,395</b>	<b>500,670</b>	<b>193,025</b>	<b>7,238,800</b>
<b>Depreciation</b>						
As At 01.01.2005	130,948	2,060,150	281,037	191,873	136,593	2,800,601
Charge for the Year	7,190	271,176	18,007	47,341	11,022	354,736
<b>Depreciation As At 31.12.2005</b>	<b>138,138</b>	<b>2,331,326</b>	<b>299,044</b>	<b>239,214</b>	<b>147,615</b>	<b>3,155,337</b>
<b>Net Book Value As At 31.12.2005</b>	<b>250,669</b>	<b>3,293,577</b>	<b>232,351</b>	<b>261,456</b>	<b>45,410</b>	<b>4,083,463</b>
Net Book Value As At 31.12.2004	257,859	3,507,345	203,842	156,335	39,658	4,165,039

## TOL LIMITED

### NOTE 3.0 INTANGIBLE ASSETS

Intangible assets amounting to Tzs. 45,193,000 represent cost incurred by the Company to acquire ACCPAC Accounting Software during the current year. Initially they are recognized at cost and thereafter carried at their cost less any accumulated amortization.

NOTE 4.0 INVENTORIES	31.12.2005 TZS. '000'	31.12.2004 TZS. '000'
Gases	141,093	70,410
Welding Machines and Equipment	64,647	89,264
Medical Machines and Equipment	3,609	15,823
Spares	<u>137,411</u>	<u>168,989</u>
	346,760	344,486
Provision for Impairment of Inventories	<u>(50,311)</u>	<u>(52,353)</u>
<b>TOTAL</b>	<u><b>296,449</b></u>	<u><b>292,133</b></u>

### NOTE 5.0 RECEIVABLES

Trade Receivables	857,854	754,103
Staff Receivables	128,659	117,722
Other Receivables	106,590	140,350
Prepayments	<u>120,795</u>	<u>123,186</u>
	1,213,898	1,135,361
Provision for Impairment of Receivables	<u>(392,079)</u>	<u>(392,079)</u>
<b>TOTAL</b>	<u><b>821,819</b></u>	<u><b>743,282</b></u>

### NOTE 6.0 TAX RECOVERABLE

Income Tax	68,676	61,087
VAT	<u>260,103</u>	<u>0</u>
<b>TOTAL</b>	<u><b>328,779</b></u>	<u><b>61,087</b></u>

### NOTE 7.0 SHARE CAPITAL

<b>Authorised:</b>		
60 million ordinary shares of Tzs. 100/- @	<u>6,000,000</u>	<u>6,000,000</u>
<b>Issued and fully paid:</b>		
31,985,590 ordinary shares of Tzs. 100/- @	<u>3,198,559</u>	<u>3,198,559</u>

### NOTE 8.0 SHARE PREMIUM

Balance as at Beginning of the Year	<u>3,305,885</u>	<u>3,305,885</u>
Balance at year end	<u>3,305,885</u>	<u>3,305,885</u>

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<b>NOTE 9.0</b>	<b>CYLINDER DEPOSITS</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
		<b>TZS.</b>	<b>TZS.</b>
	Cylinder Deposits	593,632	565,408

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.

<b>NOTE 10.0</b>	<b>BANK BORROWINGS</b>	<b>31.12.2004</b>	<b>31.12.2004</b>
		<b>TZS.</b>	<b>TZS.</b>
		<b>'000'</b>	<b>'000'</b>
	Stanbic Bank Loan	300,000	0
	Less: Due within one year	100,000	0
	<b>Borrowings Due After More Than One Year</b>	<b>200,000</b>	<b>0</b>

Bank loan secured from Stanbic Bank is repayable in three years commencing January, 2006. It was granted at an interest rate of 15%. As at 31<sup>st</sup> December, 2005, the loan had attracted an interest amounting to Tzs.14,412,966.

**NOTE 11.0 BANK OVERDRAFT**

The Company had secured an overdraft facility with CRDB Bank of Tzs. 115,000,000 at an interest rate of 16% per annum accruing daily on an outstanding balance and is charged monthly. As at 31<sup>st</sup> December, 2005 Tzs. 86,783,164 was outstanding.

<b>NOTE 12.0</b>	<b>PAYABLES</b>	<b>31.12.2005</b>	<b>31.12.2004</b>
		<b>TZS.</b>	<b>TZS.</b>
		<b>'000'</b>	<b>'000'</b>
	Trade Payables	558,928	342,975
	Other Payables Including Taxation and Social Security Costs	141,826	511,862
	Accrued Expenses	305,287	297,660
	Loan Interest Payable	14,413	0
	Unpaid Dividends – 1996	0	108,601
	<b>TOTAL</b>	<b>1,020,454</b>	<b>1,261,098</b>



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<b>NOTE 14.0 OTHER INCOME</b>	2005 TZS. '000'	2004 TZS. '000'
Gain/(loss on disposal of Fixed Assets	41,000	0
Sundry Income	<u>0</u>	<u>8,266</u>
<b>TOTAL</b>	<b><u>41,000</u></b>	<b><u>8,266</u></b>

**NOTE 15.0 GOVERNMENT SUBVENTION**

Government subvention of TZS. 592,472,000 was in respect of taxes and dividend payable which were cancelled by the Government during the year under review as part of negotiations aimed at disposing the majority interest of the Company to a strategic investor analyzed as follows:

Description	Amount TZS. '000'
Income Tax	365,574
VAT	105,922
Withholding Tax	12,375
Dividend Payable	<u>108,601</u>
<b>TOTAL</b>	<b><u>592,472</u></b>

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### NOTE 17.0 FINANCE COSTS

	2005	2004
	TZS.	TZS.
	'000'	'000'
Interest Expense	41,882	542,161
Exchange Losses - Others	<u>21,764</u>	<u>1,395</u>
<b>TOTAL</b>	<b><u>63,646</u></b>	<b><u>543,556</u></b>

### NOTE 18.0 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.

**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 date of the case is yet to be fixed.

### NOTE 19.0 INCORPORATION

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

### NOTE 20.0 CURRENCY

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

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**NOTE 21.0 RELATED PARTY TRANSACTIONS**  
**Key Management remuneration**

<b>Description</b>	<b>2005</b>	<b>2004</b>
	<b>TZS.</b>	<b>TZS.</b>
	<b>'000'</b>	<b>'000'</b>
Salaries and Allowances	174,752	136,800
Loans	50,476	69,717
Directors Remuneration	<u>4,500</u>	<u>4,500</u>
<b>Total</b>	<b><u>229,728</u></b>	<b><u>211,017</u></b>

**NOTE 22.0 COMPARATIVE FIGURES**

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