

TOL GASES LIMITED  
AUDITED ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 2006



**TAC ASSOCIATES**

P.O. BOX 580  
DAR ES SALAAM  
TANZANIA

## **TOL GASES LIMITED**

### **REPORT OF THE DIRECTORS FOR YEAR ENDED 31<sup>ST</sup> DECEMBER, 2006**

#### **1.0 INTRODUCTION**

The Directors hereby submit their report and audited financial statements for the year ended 31<sup>st</sup> December, 2006.

#### **2.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Companies Act of 2002 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. The Directors 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 judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act of 2002. 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. In the opinion of the Directors, the market value of these assets is in excess of the net carrying value of TZS. 4.7 billion.

**5.0 RESULTS**

The results for the year are set out on page 8. The Company made a profit of TZS 102.28 million in the current year.

**6.0 DIVIDENDS**

The Directors do not recommend the payment of a dividend in respect of the year ended 31<sup>st</sup> December, 2006 due to accumulated trading losses incurred during previous years.

**7.0 RESERVES**

The reserves of the Company are set out on page 9.

**8.0 SHAREHOLDINGS AS AT 31<sup>ST</sup> DECEMBER, 2006**

Shareholder	Number of Shares	%
Treasury Registrar	3,570,457	11.16
SAAMI Holdings	17,691,354	55.31
Swedfund	1,500,000	4.69
Joseph Anthony Gonsalves	1,020,185	3.19
Twiga Bancorp	1,000,000	3.13
Social Action Trust Fund	954,834	2.99
Parastatal Pensions Fund	500,000	1.56
Others	<u>5,748,760</u>	<u>17.97</u>
<b>TOTAL</b>	<b><u>31,985,590</u></b>	<b><u>100</u></b>

**9.0 DIRECTORS**

Names of Directors who served the Company in the year 2006 are as follows:-

	Name		Nationality	Position
1.	Mr. E. Massawe	(Retired 27.06.2006)	Tanzanian	Chairman
2.	Mr. M. Shirima	(Appointed 18.07.2006)	Tanzanian	Chairman
3.	Mr. A. B. S. Kilewo		Tanzanian	Managing Director
4.	Mr. O. Arefalk	(Retired 18.07.2006)	Swedish	Director
5.	Ms. L. Algern	(Appointed 18.07.2006)	Swedish	Director
6.	Mr. G. Mwamukonda	(Deceased 22.07.2006)	Tanzanian	Director
7.	Mr. S. Karim		Tanzanian	Director
8.	Mr. V. Rweyemamu	(Retired 18.07.2006)	Tanzanian	Director
9.	Mrs. A. Bukuku		Tanzanian	Director
10.	Dr. Evans Mujuni	(Appointed 18.07.2006)	Tanzanian	Director

## TUL GASES LIMITED

### 10.0 DIRECTORS INTEREST

Directors had no interest in the Company other than their shares.

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

The above objective will be achieved by:-

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

### 12.0 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, 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 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 services 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.

**13.0. AUDITORS**

TAC Associates were appointed auditors for 2006 accounts and they have expressed willingness to continue providing the service.

**BY ORDER OF THE BOARD**

 ..... COMPANY SECRETARY	 ..... CHAIRMAN	 ..... DIRECTOR	DATE: 28-6-2007
---	--	---	-----------------

**REPORT OF THE AUDITORS TO SHAREHOLDERS**

We have audited the financial statements of TOL Gases Limited for the year ended 31<sup>st</sup> December, 2006 set out on pages 7 to 26 which have been prepared on the basis of the accounting policies set out on pages 11 to 17.

**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 Gases Limited as at 31<sup>st</sup> December, 2006, 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 Act of 2002.

**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 and the second revaluation was made in January, 2006, but the results of the two revaluations 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

**TOL GASES LIMITED**

and or replacement values. As at 31<sup>st</sup> December, 2006 carrying values of all Company landed properties were reported in the financial statements at TZS 243,479,000 while depreciated replacement cost for land and buildings as per January, 2006 valuation report was TZS 2,727,000,000. Based on the foregoing information we are of the view that the stated carrying amount could not be fair value of the landed properties.

**TAC ASSOCIATES (Certified Public Accountants)**

  
S. R. SAYORE - FCCA  
MANAGING PARTNER

DAR ES SALAAM

DATE: ..... JUL 2007

**BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER, 2006**

	NOTE	31.12.2006 TZS '000'	31.12.2005 TZS '000'
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	2	4,711,822	4,083,463
Intangible Assets	3	<u>36,154</u>	<u>45,193</u>
		<u>4,747,976</u>	<u>4,128,656</u>
<b>Current Assets</b>			
Inventories	4	283,679	296,449
Receivables	5	940,196	821,819
Tax Recoverable	6	468,218	328,779
Cash and Bank Balances	7	<u>90,989</u>	<u>85,410</u>
		<u>1,783,082</u>	<u>1,532,457</u>
<b>TOTAL ASSETS</b>		<u>6,531,058</u>	<u>5,661,113</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Equity</b>			
Share Capital	8	3,198,559	3,198,559
Share Premium	9	3,305,885	3,305,885
Accumulated Profit/(Loss)		<u>(2,741,922)</u>	<u>(2,844,200)</u>
<b>Shareholders Interests</b>		<u>3,762,522</u>	<u>3,660,244</u>
<b>Non Current Liabilities</b>			
Cylinder Deposits	10	616,095	593,632
Bank Borrowing	11	<u>501,474</u>	<u>200,000</u>
		<u>1,117,569</u>	<u>793,632</u>
<b>Current Liabilities</b>			
Current Portion of Bank Borrowings	11	300,737	100,000
Bank Overdraft	12	93,763	86,783
Payables	13	<u>1,256,467</u>	<u>1,020,454</u>
		<u>1,650,967</u>	<u>1,207,237</u>
<b>Total Liabilities</b>		<u>2,768,536</u>	<u>2,000,869</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>6,531,058</u>	<u>5,661,113</u>

Notes 1 to 23 form part of these financial statements. Auditors report on page 5 and 6.

  
.....  
CHAIRMAN

  
.....  
DIRECTOR

DATE: 28-6-2007



TOL GASES LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2006

	NOTE	2006 TZS '000'	2005 TZS '000'
Revenue		4,319,183	3,372,688
Cost of Sales	15	(3,074,570)	(3,048,668)
<b>Gross Profit</b>		<u>1,244,613</u>	<u>324,020</u>
Government Subvention		0	592,472
Other Income	14	<u>200</u>	<u>41,000</u>
		<u>1,244,813</u>	<u>957,492</u>
Operating Expenditure	16	(1,081,351)	(941,258)
Operating Profit/(Loss)		<u>163,462</u>	<u>16,234</u>
Finance Costs	17	(61,184)	(63,646)
Profit/(Loss) Before Taxation		<u>102,278</u>	<u>(47,412)</u>
Taxation		0	0
<b>Net Profit/(Loss) for the Year</b>		<u>102,278</u>	<u>(47,412)</u>
Accumulated Loss Brought Forward		<u>(2,844,200)</u>	<u>(2,796,788)</u>
<b>Accumulated Loss Carried Forward</b>		<u>(2,741,922)</u>	<u>(2,844,200)</u>
Profit/(Loss) per Share		<u>3.197</u>	<u>(1.482)</u>

Notes 1 to 23 form part of these financial statements. Auditors report on page 5 and 6.

  
CHAIRMAN

  
DIRECTOR

DATE: 28-6-2007

**TOL GASES LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup>  
DECEMBER, 2006**

	Share Capital	Share Premium	Accumulated Losses	Total Equity
	TZS '000'	TZS '000'	TZS '000'	TZS '000'
As at 1 <sup>st</sup> January, 2005	3,198,559	3,305,885	(2,796,788)	3,707,656
Profit/(Loss) for the Year	0	0	(47,412)	(47,412)
<b>As 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>
As at 1 <sup>st</sup> January, 2006	3,198,559	3,305,885	(2,844,200)	3,660,244
Profit/(Loss) for the Year	0	0	102,278	102,278
<b>As at 31 December, 2006</b>	<b>3,198,559</b>	<b>3,305,885</b>	<b>(2,741,922)</b>	<b>3,762,522</b>

*Notes 1 to 23 form part of these financial statements. Auditors report on page 5 and 6.*

  
CHAIRMAN

  
DIRECTOR

DATE: 28-6-2007

TOL GASES LIMITED

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER, 2006**

	2006	2005
<b>Cash Flows From/(Used in) Operating Activities</b>	TZS '000'	TZS '000'
Profit/(Loss) for the Year Before Taxation	102,278	(47,412)
<b>Adjustments for:</b>		
Amortization	9,039	0
Depreciation	<u>389,203</u>	<u>354,736</u>
Operating Profit/(Loss) Before Changes in Working Capital Items	500,520	307,324
<b>Changes in Working Capital Items</b>		
(Increase)/Decrease in Inventories	12,770	(4,316)
(Increase)/Decrease in Receivables	(118,377)	(78,537)
(Increase) / Decrease in Tax Recoverable	(139,439)	(267,692)
Increase/(Decrease) in Payables	236,013	(240,644)
Net Changes in Working Capital Items	<u>(9,033)</u>	<u>(591,189)</u>
<b>Net Cash Flows From/(Used in) Operating Activities (A)</b>	<u>491,487</u>	<u>(283,865)</u>
<b>Cash Flows From/(Used in) Investing Activities</b>		
Purchase of Property, Plant and Equipment	(1,017,562)	(273,160)
Purchase of Intangible Assets	0	(45,193)
<b>Net Cash Flows From/(Used in) Investing Activities (B)</b>	<u>(1,017,562)</u>	<u>(318,353)</u>
<b>Cash Flows From/(Used in) Financing Activities</b>		
Cylinder Deposits Received	37,937	42,288
Cylinder Deposits Refunds	(15,474)	(14,064)
Bank Loan Received	602,211	300,000
Bank Loan Repaid	(100,000)	0
<b>Net Cash Flows From/(Used) in Financing Activities (C)</b>	<u>524,674</u>	<u>328,224</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	(1,401)	(273,994)
Cash and Cash Equivalents at 1 <sup>st</sup> January	(1,373)	272,621
<b>Cash and Cash Equivalents at the end of the Year</b>	<u>(2,774)</u>	<u>(1,373)</u>

Notes 1 to 23 form part of these financial statements. Auditors report on page 5 and 6.

  
CHAIRMAN

  
DIRECTOR

DATE: 28.6.2007

NOTES ON THE ACCOUNTS

NOTE 1: PRINCIPAL ACCOUNTING POLICIES

**1.1 Basis of Accounting**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under historical cost convention, modified to include revaluation of property, plant and equipment. No adjustments have been made to reflect the effects of other inflationary factors.

**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 an 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: -

<b>Asset Description</b>	<b>Rate p.a.</b>
Building	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 derecognized by the Company.

## TUL GASES 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. Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are credited/charged to income statement.

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 exists at the balance sheet date.

### **1.3 Intangible Assets**

Intangible assets comprise computer application software and computer packages. Initially they are recognized at cost and thereafter carried at cost less accumulated amortization and any impairment losses. The Company's intangible assets have finite useful life of five years and are amortized on straight line basis with zero residue 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 or 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 income statement.

### **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 income statement.

**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 recognized 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**

Funds disbursed by the Government to the Company to assist in carrying out its functions are credited to the income statement.

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 recognized 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 recognized 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 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 Pension 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 service. Amounts contributed by the Company during the year were as follows: -

	2006 TZS. '000'	2005 TZS. '000'
National Social Security Fund	44,144	39,440
Parastatal Pension Fund	9,828	9,828
<b>Total</b>	<b>53,972</b>	<b>49,268</b>

The number of staff employed by the Company as at 31<sup>st</sup> December, 2006 was 103 (31<sup>st</sup> December, 2005 was 106)

#### (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 recognized during the period in which the employees render the related services.

## **TOL GASES 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 recognizes 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 are safeguarded, the Company complies fully with the workman's compensation act which requires compensation to employees injured in 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 are reduced to the extent that is no longer probable that a related tax benefit will be realized.



### 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 firm 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 it 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.

**FOE GROUPS LIMITED**

**(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.

**(iv) 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 used to deposit with banks of high credit standing her short term cash surpluses.

- **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 in cash terms.

**NOTE 2: PROPERTY, PLANT /**

PARTICULARS	BUILDIN
	TZS '000
<b>Cost</b>	
As At 01.01.2006	388,8
Additions	
<b>Cost As At 31.12.2006</b>	<b>388,8</b>
<b>Depreciation</b>	
As At 01.01.2006	138,1
Charge for the Year	7,1
<b>Depreciation As At 31.12.2006</b>	<b>145,3</b>
<b>Net Book Value As At 31.12.2006</b>	<b>243,4</b>
Net Book Value As At 31.12.2005	250,6

Trade Receivables	<b>708,588</b>	857,854
Staff Receivables	<b>67,943</b>	128,659
Other Receivables	<b>72,945</b>	106,590
Prepayments	<b>109,822</b>	120,795
	<b>959,298</b>	1,213,898
Provision for Impairment of Receivables	<b>(19,102)</b>	(392,079)
<b>TOTAL</b>	<b>940,196</b>	<b>821,819</b>

**TOL GASCO LIMITED**

<b>NOTE 6.0 TAX RECOVERABLE</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
	TZS	TZS
	'000'	'000'
Income Tax	68,676	68,676
VAT	<u>399,542</u>	<u>260,103</u>
<b>TOTAL</b>	<u><b>468,218</b></u>	<u><b>328,779</b></u>

<b>NOTE 7.0 CASH AND BANK BALANCES</b>	<b>2006</b>	<b>2005</b>
	TZS	TZS
Cash in Hand	503	346
Cash at Bank – Current Accounts	29,457	22,947
Cash at Bank – Collection Accounts	<u>61,029</u>	<u>62,117</u>
<b>TOTAL</b>	<u><b>90,989</b></u>	<u><b>85,410</b></u>

<b>NOTE 8.0 SHARE CAPITAL</b>	<b>31.12.2006</b>	<b>31.12.2005</b>
	TZS.	TZS.
	'000'	'000'
<b>Authorized:</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. 1,00/- @	<u>3,198,559</u>	<u>3,198,559</u>

<b>NOTE 9.0 SHARE PREMIUM</b>		
Balance as at Beginning of the Year	<u>3,305,885</u>	<u>3,305,885</u>
Balance at the year end	<u>3,305,885</u>	<u>3,305,885</u>

**NOTE 10.0 CYLINDER DEPOSITS**

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. The movement of cylinder deposits account during the year 2006 was as follows: -

	<b>2006</b>	<b>2005</b>
	TZS.	TZS.
	'000'	'000'
Balance as at 1 <sup>st</sup> January	593,632	565,408
Deposit During the Year	37,937	42,288
Refunds During the Year	<u>(15,474)</u>	<u>(14,064)</u>
<b>Balance as at 31<sup>st</sup> December</b>	<u><b>616,095</b></u>	<u><b>593,632</b></u>

NOTE 11.0 BANK BORROWINGS	31.12.2006	31.12.2005
	TZS	TZS
	'000'	'000'
Stanbic Bank	200,000	300,000
African Banking Corporation	602,211	0
	<u>802,211</u>	<u>300,000</u>
<b>Less: Due within one Year:</b>		
Stanbic Bank	100,000	100,000
African Banking Corporation	200,737	0
	<u>300,737</u>	<u>100,000</u>
<b>Borrowings Due after One Year</b>	<u>501,474</u>	<u>200,000</u>

**(a) Stanbic Loan**

Bank loan secured from Stanbic Bank is repayable in three years commencing January, 2006. It was granted at an interest rate of 15%.

**(b) African Banking Corporation Loan.**

The Company acquired the loan amount of US\$ 500,000 equivalent in Tanzanian Shillings from African Banking Corporation for the purpose of financing acquisition of Carbon Dioxide Plant. The loan carries interest at a margin of 7% per annum below the Bank's Prime Lending Rate (which at the time of agreement was 25%), calculated on the daily balance outstanding and is payable monthly in arrears.

Repayment schedule for the loan provides grace period of six months and is repaid on a monthly basis over a period of thirty-six months through 36-monthly instalments commencing on 28<sup>th</sup> February, 2007.

The loan is secured by legal mortgage covering 125% of the facility amount over a property located on plot No.4B Nyerere Road in Dar es Salaam. Also the loan is secured by a chattel mortgage over the Carbon Dioxide Plant financed under this facility.

**NOTE 12.0 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,2006 an amount of TZS.93,762,662 was outstanding.

**TOL GASES LIMITED**

NOTE 13.0 PAYABLES	31.12.2006 TZS. '000'	31.12.2005 TZS. '000'
Trade Payables	682,726	558,928
Other Payables Including Taxation and Social Security Costs	250,475	141,826
Accrued Expenses	323,266	305,287
Loan Interest Payable	0	14,413
<b>TOTAL</b>	<b>1,256,467</b>	<b>1,020,454</b>

  

NOTE 14.0 OTHER INCOME	2006 TZS '000'	2005 TZS '000'
Profit /(Loss) on Disposal of Property , Plant and Equipment	0	41,000
Sundry Income	200	0
<b>TOTAL</b>	<b>200</b>	<b>41,000</b>

**NOTE 15: COST OF SALES**

PARTICULARS	RAW MATERIALS
	TZS. '000'
ASU Production	73,329
ASU Compression	5,638
Stock Adjustment	0
DA Production	568,446
Oxygen Trading A/C	23,202
DA Trading A/C	10,900
CO2 Production	9,053
Nitrogen Trading	328
CO2 Trading	4,662
Medical Oxygen Trading	823
Argon	0
Helium	0
Refrigerant R 12	0
N2O	62
LPG	0
Factory Overheads: -	
Mwanza	0
Dar es Salaam	0
Kyejo	0
Welding Consumables	0
Medical Consumables	0
TOL Fleet	0
CO2 Fleet	2,816
Third Part Fleet	0
<b>TOTAL COSTS 2006</b>	<b>699,259</b> ✓
<b>TOTAL COSTS 2005</b>	<b>997,309</b>

Telephone and Telex	<b>63,526</b>	55,840
Postages	<b>32,042</b>	27,474
Insurance	<b>28,203</b>	1,490
Subscriptions	<b>5,939</b>	4,442
Donations	<b>4,752</b>	473
Miscellaneous	<b>8,521</b>	306
Annual General Meeting Expenses	<b>19,009</b>	14,512
<b>TOTAL</b>	<b><u>1,081,351</u></b>	<b><u>941,258</u></b>

**TOL GASES LIMITED**

<b>NOTE 17.0 FINANCE COSTS</b>	<b>2006</b>	<b>2005</b>
	<b>TZS.</b>	<b>TZS.</b>
	<b>'000'</b>	<b>'000'</b>
Interest Expense:	48,818	41,882
Exchange Losses - Loans	12,366	0
- Others	0	21,764
<b>TOTAL</b>	<u><b>61,184</b></u>	<u><b>63,646</b></u>

**NOTE 18.0 TAXATION**

Provision for taxation has not been made during the year 2006 as the Company has accumulated tax losses suffered in previous years.

**NOTE 19.0 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 our ex-employee Mr. Juma Nkondo who is demanding a sum of TZS. 50.6 million.

**b) High court Case No. 199/1999**

TOL Gas 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 Gases Limited if the case is not ruled in their favour is estimated at TZS. 88,748,918.

**NOTE 20.0 INCORPORATION**

The Company is incorporated in Tanzania under the Companies Ordinance Cap. 212 (Now Companies Act, 2002).

**NOTE 21.0 REPORTING CURRENCY**

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



IOL GASES LIMITED

NOTE 22.0 RELATED PARTY TRANSACTIONS

Description	2006	2005
	TZS	TZS
<b>Key management remuneration:</b>	'000'	'000'
Salaries and Allowances	196,560	174,752
Loans	32,171	50,476
Directors remuneration	13,500	13,500
<b>TOTAL</b>	<b>242,231</b>	<b>238,728</b>

NOTE 23.0 COMPARATIVES

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