

TOL GASES LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31ST DECEMBER, 2007



TAC ASSOCIATES

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

TOL GASES LIMITED

REPORT OF THE DIRECTORS FOR YEAR ENDED 31ST DECEMBER, 2007

1.0 INTRODUCTION

The Directors hereby submit their report and audited financial statements for the year ended 31st December, 2007.

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 controls. 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 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. 4.9 billion.

TOL GASES LIMITED

5.0 RESULTS

The results for the year are set out on page 9. The Company made a profit of TZS 292.6 million in the current year.

6.0 DIVIDENDS

The Directors do not recommend the payment of dividends in respect of the year ended 31st December, 2007 due to accumulated trading losses incurred during previous years.

7.0 RESERVES

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

8.0 SHAREHOLDINGS AS AT 31ST DECEMBER, 2007

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>
TOTAL	<u>31,985,590</u>	<u>100.00</u>

9.0 DIRECTORS

Names of Directors who served the Company in the year 2007 are as follows:-

Name	Nationality	Position
1. Mr. M. Shirima	Tanzanian	Chairman
2. Mr. A. B. S. Kilewo	Tanzanian	Managing Director
3. Mr. J. Matawalo (Appointed 09.08.2007)	Tanzanian	Director
4. Eng. Harold Temu (Appointed 09.08.2007)	Tanzanian	Director
5. Ms. L. Algern (Resigned 23.03.2007)	Swedish	Director
6. Mr. S. Karim (Resigned 09.03.2007)	Tanzanian	Director
8. Mrs. A. Bukuku	Tanzanian	Director
9.. Dr. Evans Rweikiza (Resigned 21.08.2007)	Tanzanian	Director

TOL GASES LIMITED**10.0 DIRECTORS INTEREST**

Directors have 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 CORPORATE GOVERNANCE

TOL Gases Limited puts emphasis to highest standards of Corporate Governance. The organisational structure is flexible and accommodates changes from internal as well as external environment. Moreover, the Company periodically reviews its rules and regulations with a view to ensuring best performance of the Company. The Company adheres to global standards and practices of good Corporate Governance.

13.0 CORPORATE SOCIAL RESPONSIBILITY

TOL Gases Limited continued with its principle of corporate social responsibility and committed itself to active participation in environment protection, and promotion of socio-economic development of the society through extension of financial support towards implementation of community development projects.

During the year the Company made donations to the tune of TZS 9,809,000 to support various community development projects.

14.0 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.

Gender Balance

TOL Gases Limited gives equal opportunity to all Tanzanians during recruitment and filling of Management positions provided that they have the necessary qualifications, qualities and abilities regardless of their gender.

TOL GASES LIMITED

Persons with Disabilities

The Company gives equal opportunities to persons with disabilities for vacancies they are able to fill.

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.

HIV/AIDS Policy

The management of HIV/AIDS is an important challenge for TOL Gases Limited. The Company has determined that HIV/AIDS will have an impact on the following risk areas; operation, legal risk and health risk. Whilst all these risks are under investigation the Company has adopted the following core principals as a basis for its HIV/AIDS policy:-

- Limit the number of new infections among employees,
- Ensure employees living with HIV/AIDS are aware of their rights and that their rights are respected and protected;
- Provide care and support to employees living with HIV/AIDS.

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.

TOL GASES LIMITED

15.0. AUDITORS

TAC Associates were appointed auditors for 2007 accounts at the Company's Annual General Meeting held on 9th August, 2007 and they have expressed willingness to continue providing the service.

BY ORDER OF THE BOARD


.....
CHAIRMAN


.....
COMPANY
SECRETARY


.....
DIRECTOR

19 AUG. 2008
.....
DATE

TOL GASES LIMITED**REPORT OF THE AUDITORS TO SHAREHOLDERS**

We have audited the accompanying financial statements of TOL Gases Limited which comprise the balance sheet as at 31st December, 2007 and the income statement, statement of changes in equity and cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

BOARD OF DIRECTORS RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board of Directors of the TOL Gases Limited are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control system relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making the risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

TOL GASES LIMITED**OPINION**

In our opinion, the financial statements give a true and fair view of the financial position of TOL Gases Limited as at 31st December, 2007, 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 and or replacement values. As at 31st December, 2007 carrying values of all Company landed properties were reported in the financial statements at TZS 241,289,000 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. F. SAYORE – FCCA
MANAGING PARTNER

DAR ES SALAAM

DATE: 27 AUG 2008

TOL GASES LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 2007

	NOTE	31.12.2007 TZS '000'	31.12.2006 TZS '000'
ASSETS			
Non Current Assets			
Property, Plant and Equipment	2	4,936,113	4,711,822
Intangible Assets	3	<u>27,116</u>	<u>36,154</u>
		<u>4,963,229</u>	<u>4,747,976</u>
Current Assets			
Inventories	4	<u>310,665</u>	<u>283,679</u>
Receivables	5	<u>1,533,606</u>	<u>940,196</u>
Tax Recoverable	6	<u>229,190</u>	<u>468,218</u>
Cash and Bank Balances	7	<u>94,647</u>	<u>90,989</u>
		<u>2,168,108</u>	<u>1,783,082</u>
TOTAL ASSETS		<u>7,131,337</u>	<u>6,531,058</u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share Capital	8	3,198,559	3,198,559
Share Premium	9	3,305,885	3,305,885
Advance Towards Share Capital	10	69,715	0
Accumulated Profit/(Loss)		<u>(2,449,313)</u>	<u>(2,741,922)</u>
Shareholders Interests		<u>4,124,846</u>	<u>3,762,522</u>
Non Current Liabilities			
Cylinder Deposits	11	645,559	616,095
Bank Borrowing	12	<u>507,320</u>	<u>501,474</u>
		<u>1,152,879</u>	<u>1,117,569</u>
Current Liabilities			
Current Portion of Bank Borrowings	12	<u>393,930</u>	<u>300,737</u>
Bank Overdraft	13	<u>220,258</u>	<u>93,763</u>
Payables	14	<u>1,239,424</u>	<u>1,256,467</u>
		<u>1,853,612</u>	<u>1,650,967</u>
Total Liabilities		<u>3,006,491</u>	<u>2,768,536</u>
TOTAL EQUITY AND LIABILITIES		<u>7,131,337</u>	<u>6,531,058</u>

Notes 1 to 24 form part of these financial statements. Auditors report on pages 6 and 7.


CHAIRMAN

DATE: 19/01/2008


DIRECTOR

TOL GASES LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

	NOTE	2007 TZS '000'	2006 TZS '000'
Revenue	15	5,551,057	4,319,183
Cost of Sales	16	<u>(3,742,562)</u>	<u>(3,074,570)</u>
Gross Profit		1,808,495	1,244,613
Government Subvention		55,217	0
Other Income		0	200
		<u>1,863,712</u>	<u>1,244,813</u>
Operating Expenditure	17	<u>(1,450,307)</u>	<u>(1,081,351)</u>
Operating Profit/(Loss)		413,405	163,462
Finance Costs	18	<u>(120,796)</u>	<u>(61,184)</u>
Profit/(Loss) Before Taxation		292,609	102,278
Taxation		0	0
Net Profit/(Loss) for the Year		292,609	102,278
Accumulated Loss Brought Forward		<u>(2,741,922)</u>	<u>(2,844,200)</u>
Accumulated Loss Carried Forward		<u>(2,449,313)</u>	<u>(2,741,922)</u>
Profit/(Loss) per Share		<u>9.148</u>	<u>3.197</u>

Notes 1 to 24 form part of these financial statements. Auditors report on pages 6 and 7.


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CHAIRMAN

DATE: ...19/12/2007...


.....
DIRECTOR

TOL GASES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Share Capital		Share Premium		Advance Towards Share Capital		Accumulated Losses		Total Equity	
	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
As at 1 st January, 2006	3,198,559	3,305,885	0	0	0	0	(2,844,200)	3,660,244		
Profit/(Loss) for the Year	0	0	0	0	0	0	102,278	102,278		
As at 31st December, 2006	3,198,559	3,305,885	0	0	0	0	(2,741,922)	3,762,522		
As at 1 st January, 2007	3,198,559	3,305,885					(2,741,922)	3,762,522		
Proceeds Received on Rights Issue	0	0		69,715			0	69,715		
Profit/(Loss) for the Year	0	0		0			292,609	292,609		
As at 31 December, 2007	3,198,559	3,305,885		69,715			(2,449,313)	4,124,846		

Notes 1 to 24 form part of these financial statements. Auditors report on page 6 and 7.


CHAIRMAN

DATE: 19/12/2007


DIRECTOR

TOL GASES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2007

	2007	2006
	TZS	TZS
	'000'	'000'
Cash Flows From/(Used in) Operating Activities		
Profit/(Loss) for the Year Before Taxation	292,609	102,278
Adjustments for:		
Amortization	9,038	9,039
Depreciation	465,674	389,203
Operating Profit/(Loss) Before Changes in Working Capital Items	767,321	500,520
Changes in Working Capital Items		
(Increase)/Decrease in Inventories	(26,986)	12,770
(Increase)/Decrease in Receivables	(593,410)	(118,377)
(Increase) / Decrease in Tax Recoverable	239,028	(139,439)
Increase/(Decrease) in Payables	(17,043)	236,013
Net Changes in Working Capital Items	(398,411)	(9,033)
Net Cash Flows From/(Used in) Operating Activities (A)	<u>368,910</u>	<u>491,487</u>
Cash Flows From/(Used in) Investing Activities		
Purchase of Property, Plant and Equipment (B)	<u>(689,965)</u>	<u>(1,017,562)</u>
Cash Flows From/(Used in) Financing Activities		
Proceeds Received on Rights Issue	69,715	0
Cylinder Deposits Received	44,773	37,937
Cylinder Deposits Refunds	(15,309)	(15,474)
Bank Loan Received	506,783	602,211
Bank Loan Repaid	(407,744)	(100,000)
Net Cash Flows From/(Used) in Financing Activities (C)	<u>198,218</u>	<u>524,674</u>
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(122,837)	(1,401)
Cash and Cash Equivalents at 1 st January	(2,774)	(1,373)
Cash and Cash Equivalents at the end of the Year	<u>(125,611)</u>	<u>(2,774)</u>

Notes 1 to 24 form part of these financial statements. Auditors report on pages 6 and 7.


CHAIRMAN

DATE: 19/01/2008


DIRECTOR

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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: -

Asset Description	Rate p.a.
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.

TOL 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 or losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are credited/charged to income statement.

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

TOL GASES LIMITED**1.6 Foreign Currency Translations****(i) Functional and Presentation Currency**

The financial statements are presented in Tanzania Shillings, which is the Council'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.

TOL GASES LIMITED

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 services. Amounts contributed by the Company during the year were as follows: -

	2007 TZS. '000'	2006 TZS. '000'
National Social Security Fund	57,809	44,144
Parastatal Pension Fund	14,030	9,828
Total	<u>71,839</u>	<u>53,972</u>

The number of staff employed by the Company as at 31st December, 2007 was 105 (31st December, 2006 was 103)

(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

TOL GASES LIMITED

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 in the income statement 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.

TOL GASES 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.

(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 ensures that cash surpluses are deposited 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 in cash terms.

TOL GASES LIMITED

NOTE 2: PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	BUILDINGS		PLANT & MACHINERY		CYLINDERS		MOTOR VEHICLES		EQUIPMENT & FITTINGS		CAPITAL WORK IN PROGRESS		TOTAL	
	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
Cost														
As At 01.01.2007	388,807	5,624,903	531,395	576,870	208,120	926,267	8,256,362							
Additions	5,000	315,306	204,636	141,396	23,627		689,965							
Transfers	0	926,267	0	0	0	(926,267)	0							
Cost As At 31.12.2007	393,807	6,866,476	736,031	718,266	231,747	0	8,946,327							
Depreciation														
As At 01.01.2007	145,328	2,604,343	318,631	316,296	159,942		3,544,540							
Charge for the Year	7,190	342,797	19,387	83,255	13,045		465,674							
Depreciation As At 31.12.2007	152,518	2,947,140	338,018	399,551	172,987	0	4,010,214							
Net Book Value As At 31.12.2007	241,289	3,919,336	398,012	318,715	58,760	0	4,936,113							
Net Book Value As At 31.12.2006	243,479	3,020,560	212,764	260,574	48,178	926,267	4,711,822							

TOL GASES LIMITED

NOTE 3.0 INTANGIBLE ASSETS

Intangible assets amount of TZS 27,116,000 represent cost less accumulated amortization of the Company's SACCPA Accounting Software. Movement of intangible assets during the year was as follows: -

Particulars	2007 TZS '000'	2006 TZS '000'
Cost as at 31 st December	45,193	45,193
Less: Amortization		
Balance As at 1 st January	9,039	0
Amortization Charge for the Year	9,038	9,039
Amortization as at 31 st December	18,077	9,039
NET BOOK VALUE AS AT 31ST DECEMBER	27,116	36,154

NOTE 4.0 INVENTORIES

	31.12.2007 TZS '000'	31.12.2006 TZS '000'
Gases	237,458	164,054
Welding Machines and Equipment	49,153	37,435
Medical Machines and Equipment	3,673	5,031
Spares	20,381	77,159
TOTAL	310,665	283,679

NOTE 5.0 RECEIVABLES

Trade Receivables	1,153,412	708,588
Staff Receivables	79,539	67,943
Other Receivables	32,616	72,945
Prepayments	300,707	109,822
	1,566,274	959,298
Provision for Impairment of Receivables	(32,668)	(19,102)
TOTAL	1,533,606	940,196

NOTE 6.0 TAX RECOVERABLE

Income Tax	68,676	68,676
VAT	160,514	399,542
TOTAL	229,190	468,218

TOL GASES LIMITED

NOTE 12.0 BANK BORROWINGS	31.12.2007	31.12.2006
	TZS	TZS
	'000'	'000'
Stanbic Bank	0	200,000
Tanzania Investment Bank	140,597	0
African Banking Corporation	760,653	602,211
	<u>901,250</u>	<u>802,211</u>
Less: Due within one Year:		
Stanbic Bank	0	100,000
Tanzania Investment Bank	140,597	0
African Banking Corporation	253,333	200,737
	<u>393,930</u>	<u>300,737</u>
Borrowings Due after One Year	<u>507,320</u>	<u>501,474</u>

(a) Stanbic Loan

Bank loan secured from Stanbic Bank is repayable in three years commencing in 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 28th 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 13.0 BANK OVERDRAFT

The Company had secured an overdraft facility with CRDB Bank of TZS.165, 000,000 at an interest rate of 16% per annum accruing daily on an outstanding balance and is charged monthly. As at 31st December, 2007 an amount of TZS.220,258,227 was outstanding.

TOL GASES LIMITED

NOTE 14.0 PAYABLES	31.12.2007 TZS. '000'	31.12.2006 TZS. '000'
Trade Payables	505,867	682,726
Other Payables Including Taxation and Social Security Costs	381,258	250,475
Accrued Expenses	352,299	323,266
TOTAL	<u>1,239,424</u>	<u>1,256,467</u>

NOTE 15.0 SALES REVENUE	2007 TZS '000'	2006 TZS '000'
Industrial Gases	5,050,477	3,937,958
Medical Gases	416,580	317,659
Medical Equipment	7,828	4,799
Welding Equipment and Accessories	76,172	58,767
TOTAL	<u>5,551,057</u>	<u>4,319,183</u>

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NOTE 16: COST OF SALES

PARTICULARS	RAW MATERIALS	DIRECT LABOUR	DEPRECIATION	ELECTRICITY & WATER	PRODUCTION OVERHEADS	TRANS-PORT	RESALABLE CONSUMABLES	IMPORTED GASES	OTHERS	TOTAL
	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'	TZS. '000'
ASU Production	34,044	35,445	260,233	295,329	0	0	0	3,223	0	628,274
ASU Compression	5,613	33,685	0	13,938	0	0	0	0	0	53,236
Stock Adjustment	0	0	0	0	0	0	0	0	1,585	1,585
DA Production	675,733	94,014	2,533	41,157	0	0	0	0	1,502	814,939
Oxygen Trading A/C	14,571	28,948	8,766	0	0	0	0	0	0	52,285
DA Trading A/C	12,502	20,256	8,977	0	0	0	0	0	1,175	42,910
CO2 Production	10,928	3,149	79,912	56,702	0	0	0	0	1,214	151,905
Nitrogen Trading	0	37	0	0	0	0	0	0	0	37
CO2 Trading	1,644	0	108	0	0	0	0	0	0	1,752
Medical Oxygen Trading	448	1,864	158	0	0	0	0	0	0	2,470
Compressed Air	0	2,570	0	0	0	0	0	0	0	2,570
Argon	0	72	967	0	0	0	0	0	38,843	39,882
Helium	0	0	0	0	0	0	3,704	0	0	3,704
Refrigerant R 12	0	0	0	0	0	0	4,490	0	0	4,490
N2O	0	186	412	92	0	0	0	4,466	0	5,156
LPG	0	0	0	0	0	0	265	0	0	265
Factory Overheads:										
Mwanza	0	0	3,052	0	143,741	0	0	0	0	146,793
Dar es Salaam	0	0	5,867	0	338,678	0	0	0	0	344,545
Kyejo	0	0	1,181	0	82,900	0	0	0	0	84,081
Welding Consumables	0	0	0	0	0	0	38,391	0	0	38,391
Medical Consumables	0	0	0	0	0	0	4,426	0	0	4,426
TOL Fleet	0	62,587	51,647	0	221,732	0	0	0	0	335,966
CO2 Fleet	38,716	91,622	25,175	0	453,175	0	0	0	0	608,688
Third Part Fleet	0	0	0	0	374,212	0	0	0	0	374,212
TOTAL COSTS 2007	794,199	374,435	448,988	407,218	565,319	1,049,119	51,276	7,689	44,319	3,742,562
TOTAL COSTS 2006	699,259	249,920	372,448	373,263	408,520	837,534	68,100	10,906	54,620	3,074,570

TOL GASES LIMITED

NOTE 17.0 OPERATING EXPENSES	2007	2006
	TZS	TZS
	'000'	'000'
Salaries	373,343	288,209
Overtime	41,411	13,360
Contributions to NSSF and PPF	34,940	26,830
Housing Levy	23,913	17,879
Bonus	38,910	21,964
Canteen Expenses	26,445	32,547
Uniforms and Overalls	12,547	14,044
Training Expenses	10,944	8,793
Medical Aid Scheme	41,364	32,442
Leave Pay and Passage	13,284	17,732
Other Allowances	6,281	10,341
Retirement Gratuity	16,875	7,212
Advertising	25,600	6,591
Professional Fees	51,215	5,000
Audit Fees	7,368	7,380
Legal Fees	20,182	10,493
Import License	13,367	0
Depreciation -Fixtures and Fittings.	5,234	5,564
Depreciation - Office Machines	7,812	6,763
Depreciation - Motor Vehicles	3,211	3,998
Depreciation - Buildings	429	430
Amortization of Intangible Assets	9,038	9,039
Travel on Duty	80,758	42,948
Bank Charges	50,865	34,226
Doubtful Debts	39,430	20,295
Directors Fees	15,153	13,500
Directors Sitting Allowance	15,830	11,405
Repair and Maintenance	9,958	6,822
Car Running Expenses	30,968	24,040
Property Expenses	10,732	21,183
Site Maintenance	7,367	6,490
Light and Water	71,134	64,269
Rent & Rates	24,927	14,146
Security	15,250	15,213
Repair - Office Machines	20,859	21,557
Office Cleaning	17,931	11,032
Stationary Supplies	98,823	65,622
Telephone Charges	61,154	63,526
Postages	32,600	32,042
Insurance	14,981	28,203
Subscriptions	3,635	5,939
Donations	9,809	4,752
Miscellaneous Expenses	3,333	8,521
Annual General Meeting Expenses	31,097	19,009
TOTAL	1,450,307	1,081,351

TOL GASES LIMITED

NOTE 18.0 FINANCE COSTS	2007	2006
	TZS.	TZS.
	'000'	'000'
Interest Expense	120,796	48,818
Exchange Losses - Loans	0	12,366
TOTAL	<u>120,796</u>	<u>61,184</u>

NOTE 19.0 TAXATION

Provision for taxation has not been made during the year 2007 as the Company has accumulated tax losses suffered in previous years.

NOTE 20.0 CONTINGENT LIABILITIES

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

a) Misc. CC No. 35 of 2000

There was 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 Gases 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 its favour is estimated at TZS. 88,748,918.

NOTE 21.0 INCORPORATION

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

NOTE 22.0 REPORTING CURRENCY

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

TOL GASES LIMITED

NOTE 23.0 RELATED PARTY TRANSACTIONS

Description	2007	2006
	TZS	TZS
Key management remuneration:	'000'	'000'
Salaries and Allowances	255,982	196,560
Loans	26,064	32,171
Directors remuneration	15,152	13,500
TOTAL	<u>297,198</u>	<u>242,231</u>

NOTE 24.0 COMPARATIVES

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