

TOL GASES LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008



TAC ASSOCIATES

P.O. BOX 580
DAR ES SALAAM
TANZANIA

TOL GASES LIMITED

REPORT OF THE DIRECTORS FOR YEAR ENDED 31ST DECEMBER, 2008

1.0 INTRODUCTION

The Directors hereby submit their report and audited financial statements for the year ended 31st December, 2008.

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. 8.4 billion.

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5.0 RESULTS

The results for the year are set out on page 9. The Company made a Loss of TZS 588.25 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, 2008 due to trading losses incurred during year.

7.0 RESERVES

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

8.0 SHAREHOLDINGS AS AT 31ST DECEMBER, 2008

Shareholder	Number of Shares	%
Treasury Registrar	3,570,457	10
SAAMI Holdings	21,680,158	58
Swedfund	1,500,000	4
Joseph Anthony Gonsalves	1,020,185	3
Twiga Bancorp	1,000,000	3
Social Action Trust Fund	954,834	2
Parastatal Pensions Fund	1,083,333	3
Others	6,414,719	17
TOTAL	37,223,686	100.00

9.0 DIRECTORS

Names of Directors who served the Company in the year 2008 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	Tanzanian	Director
4. Eng. Harold Temu	Tanzanian	Director
5. Mrs. A. Bukuku	Tanzanian	Director

TOL GASES LIMITED

10.0 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.

11.0 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.

12.0 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 6,780,000 to support various community development projects.

13.0 EMPLOYEES WELFARE

Industrial Safety

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

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


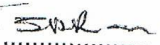

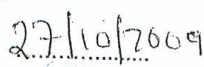
The Company provides canteen services to all employees. A canteen committee includes representatives from the shop floor to ensure that the employees' views on the quality and quantity of the food supplied by the caterers are considered.

IOL GASES LIMITED

14.0 AUDITORS

TAC Associates were appointed auditors for 2008 accounts at the Company's Annual General Meeting held on 28th August, 2008 and they have expressed willingness to continue providing the service.

BY ORDER OF THE BOARD

			
CHAIRMAN	COMPANY SECRETARY	DIRECTOR	DATE

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, 2008 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 is 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, 2008, 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.

TAC ASSOCIATES (*Certified Public Accountants*)

msayore

S. F. SAYORE – FCCA
MANAGING PARTNER

DAR ES SALAAM

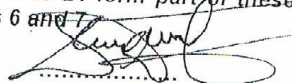
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IOL GASES LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 2008

		31.12.2008	(Restated) 31.12.2007
ASSETS	NOTE	TZS '000'	TZS '000'
Non Current Assets			
Property, Plant and Equipment	2	8,423,523	7,400,052
Intangible Assets	3	<u>18,077</u>	<u>27,116</u>
		<u>8,441,600</u>	<u>7,427,168</u>
Current Assets			
Inventories	4	<u>358,688</u>	<u>310,665</u>
Receivables	5	1,760,250	1,533,606
Tax Recoverable	6	68,676	229,190
Cash and Bank Balances	7	<u>210,166</u>	<u>94,647</u>
		<u>2,397,780</u>	<u>2,168,108</u>
TOTAL ASSETS		<u>10,839,380</u>	<u>9,595,276</u>
EQUITY AND LIABILITIES			
Shareholders' Equity			
Share Capital	8	3,722,369	3,198,559
Share Premium	9	3,739,087	3,305,885
Advance Towards Share Capital		0	69,715
Accumulated Profit/(Loss)		<u>(573,628)</u>	<u>14,626</u>
Shareholders Interests		<u>6,887,828</u>	<u>6,588,785</u>
Non Current Liabilities			
Cylinder Deposits	10	688,118	645,559
Bank Borrowing	11	<u>967,714</u>	<u>507,320</u>
		1,655,832	1,152,879
Current Liabilities			
Current Portion of Bank Borrowings	11	<u>446,655</u>	<u>393,930</u>
Bank Overdraft	12	166,474	220,258
Payables	13	<u>1,682,591</u>	<u>1,239,424</u>
		<u>2,295,720</u>	<u>1,853,612</u>
Total Liabilities		<u>3,951,552</u>	<u>3,006,491</u>
TOTAL EQUITY AND LIABILITIES		<u>10,839,380</u>	<u>9,595,276</u>

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


CHAIRMAN

DATE: 27/10/2009



DIRECTOR

TEL GASES LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2008

	NO	2008	(Restated) 2007
		TZS '000'	TZS '000'
Revenue	14	6,326,414	5,551,057
Cost of Sales	15	(5,150,465)	(3,742,562)
Gross Profit		<u>1,175,949</u>	<u>1,808,495</u>
Government Subvention		400,000	55,217
Other Income		18,820	0
		<u>1,594,769</u>	<u>1,863,712</u>
Operating Expenditure	16	(1,849,631)	(1,782,856)
Operating Profit/(Loss)		(254,862)	80,856
Finance Costs	17	(333,392)	(120,796)
Profit/(Loss) Before Taxation		(588,254)	(39,940)
Taxation		0	0
Net Profit/(Loss) for the Year		<u>(588,254)</u>	<u>(39,940)</u>
Accumulated Profit (Loss) Brought Forward		14,626	(2,741,922)
Revaluation Reserve		0	2,796,488
Accumulated Profit (Loss) Carried Forward		<u>(573,628)</u>	<u>14,626</u>
Profit/(Loss) per Share		<u>(15.80)</u>	<u>1.23</u>

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


CHAIRMAN

DATE: 27/10/2009


DIRECTOR

TOL GASES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER, 2008

	Share	Share	Advance	Accumulated	Total
	Capital	Premium	Towards Share Capital	Losses	Equity
	TZS '000'	TZS '000'	TZS '000'	ZS '00'	TZS '000'
As at 1 st January, 2007	3,198,559	3,305,885			3,762,522
Proceeds Received on Rights Issue	0	0	69,715	0	69,715
Profit/(Loss) for the Year	0	0	0	292,509	292,609
As at 31 st December, 2007	3,198,559	3,305,885	69,715	(4,449,313)	4,124,846
Depreciation Adjustments	0			(332,549)	(332,549)
Revaluation Adjustments	0			2796,488	2,796,488
As at 31 st December, 2007 (Restated)	3,198,559	3,305,885	69,715	14,626	6,588,785
As at 1 st January, 2008	3,198,559	3,305,885	69,715	14,626	6,588,785
Share Proceeds	523,810	433,202	0	0	957,012
Advance Towards Share Capital					
Adjustments	0	0	(69,715)	0	(69,715)
Profit/(Loss) for the Year	0	0	0	588,254	(588,254)
As at 31 st December, 2008	3,722,369	3,739,087	0	573,628	6,887,828

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


 CHAIRMAN

DATE: 27/12/2009



 DIRECTOR

TOL GASES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2008

	2008	(Restated) 2007
	TZS	TZS
	'000'	'000'
Cash Flows From/(Used in) Operating Activities		
Profit/(Loss) for the Year Before Taxation	(588,254)	(39,940)
Adjustments for:		
Depreciation		
Assets Adjustments	704,836	465,674
Amortization	0	332,549
Gain on Disposal of Assets	9,039	9,038
Operating Profit/(Loss) Before Changes in Working Capital Items	(27,915)	0
	97,706	767,321
Changes in Working Capital Items		
(Increase)/Decrease in Inventories	(48,023)	(26,986)
(Increase)/Decrease in Receivables	(226,644)	(593,410)
(Increase) / Decrease in Tax Recoverable	160,514	239,028
Increase/(Decrease) in Payables	443,167	(17,043)
Net Changes in Working Capital Items	329,014	(398,411)
Net Cash Flows From/(Used in) Operating Activities	(A) 426,720	368,910
Cash Flows From/(Used in) Investing Activities		
Purchase of Property, Plant and Equipment	(1,161,210)	(689,965)
Capital Work in Progress	(567,097)	0
Proceeds on Sale of Motorvehicles	27,916	0
Net Cash Flows From/(Used in) Investing Activities (B)	(1,700,391)	(689,965)
Cash Flows From/(Used in) Financing Activities		
Advance Towards Share Capital	(69,715)	69,715
Cylinder Deposits Received	67,626	44,773
Cylinder Deposits Refunds	(25,067)	(15,309)
Bank Loan Received	899,683	506,783
Bank Loan Repaid	(386,564)	(407,744)
Share Capital	523,809	0
Share Premium	433,202	0
Net Cash Flows From/(Used) in Financing Activities	(C) 1,442,974	198,218
Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	169,303	(122,837)
Cash and Cash Equivalents at 1 st January	(125,611)	(2,774)
Cash and Cash Equivalents at the end of the Year	43,692	(125,611)

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


CHAIRMAN

DATE: 27/10/2009


DIRECTOR

IOL 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 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.

IOL 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 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.

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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: -

	2008 TZS. '000'	2007 TZS. '000'
National Social Security Fund	80,529	57,809
Parastatal Pension Fund	18,445	14,030
Total	98,974	71,839

The number of staff employed by the Company as at 31st December, 2008 was 103 (31st December, 2007 was 105)

(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.

IOL 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 the 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.

ICE CASES 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	LANDS		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'	TZS '000'	TZS '000'	
Cost / Valuation																	
As At 01.01.2008 (Restated)	92,000	2,640,000	7,431,573	3,348,575	559,097	141,397	0	14,212,641									
Additions	2,100	0	356,339	310,300	477,063	15,408	1,728,300										
Disposals	0	0	0	0	(59,998)	0	(59,998)										
Cost As At 31.12.2008	94,100	2,640,000	7,787,912	3,658,875	976,162	156,805	15,880,951										
Depreciation																	
As At 01.01.2008 (Restated)	0	1,107,913	3,446,240	1,885,131	278,807	94,499	6,812,590										
Charge for the Year	0	43,619	413,295	121,951	113,770	12,201	704,836										
On Disposal	0	0	0	0	(59,998)	0	(59,998)										
Depreciation As At 31.12.2008		1,151,532	3,859,535	2,007,082	332,579	106,700	7,457,428										
Net Book Value As At 31.12.2008	94,100	1,488,468	3,928,377	1,651,793	643,583	50,105	8,423,523										
Net Book Value As At 31.12.2007 (Restated)	92,000	1,532,088	3,985,332	1,463,445	280,289	46,898	7,400,012										

ALLOCATION OF DEPRECIATION EXPENSE

DESCRIPTION	31.12.2008	31.12.2007
	TZS'000"	TZS'000"
Operating Expenses	23,581	16,686
Cost of Sales	681,255	576,549
Total	704,836	593,235

TOL GASES LIMITED

NOTE 2A: Effects of Incorporating Revaluation Results of February, 2006 in the Financial Statements for the year ended 31.12. 2007

In January, 2006 all Tol Gases Limited assets (property, plant and equipment) were revalued by independent valuer M/S University College of Lands and Architectural Studies. Land and buildings were revalued using open market values whereas plant and machinery, cylinders, motor vehicles, equipment and fittings were revalued using depreciated replacement cost. During the year 2007 a revaluation surplus of TZS 2,796,488,000 was recognized in the books of account as at 31st December, 2007. The same surplus was used to write-off accumulated losses amounting to TZS 2,781,862,000 as at 31.12.2007. The effects of incorporating the revaluation results in the financial statements for the year ended 31st December, 2007 were as follows: -

PROPERTY, PLANT AND EQUIPMENT AS AT 31.12.2007 (RESTATED)

PARTICULARS	LANDS		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'		
Cost																	
As at 31.12.2007 (Audited A/Cs)	0		393,807		6,865,476		735,031		718,266		231,747		0		8,946,32		
Revaluation Adjustment	92,000		2,246,193		565,096		2,612,545		-159,170		-90,350		0		5,266,31		
Cost/Valuation as at 31.12.2007 (Restated)	92,000		2,640,000		7,431,572		3,348,576		559,096		141,397		0		14,212,64		
Depreciation																	
Accumulated Depreciation As at 31.12.2007 (Audited A/Cs)	0		152,518		2,947,140		338,019		399,550		172,987		0		4,010,21		
Revaluation Adjustments	0		882,395		264,667		1,470,217		-79,618		-67,835		0		2,469,82		
Depreciation Adjustments	0		72,999		234,433		76,895		-41,125		-10,655		0		332,54		
Accumulated Depreciation As at 31.12.2007 (Restated)	0		1,107,912		3,446,240		1,885,131		278,807		94,499		0		6,812,58		
Net Book Value As At 31.12.2007 (Restated)	92,000		1,532,088		3,985,332		1,463,445		280,289		46,898		0		7,400,05		

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NOTE 3.0 INTANGIBLE ASSETS

Intangible assets amount of TZS 18,077,000 represent cost less accumulated amortization of the Company's SACCPA Accounting Software. Movement of intangible assets during the year was as follows: -

Particulars	2008 TZS '000'	2007 TZS '000'
Cost as at 31 st December	45,193	45,193
Less: Amortization		
Balance As at 1 st January	18,077	9,039
Amortization Charge for the Year	9,039	9,038
Amortization as at 31 st December	27,116	18,077
NET BOOK VALUE AS AT 31ST DECEMBER	<u>18,077</u>	<u>27,116</u>

NOTE 4.0 INVENTORIES

	31.12.2008 TZS '000'	31.12.2007 TZS '000'
Gases	194,449	237,458
Welding Machines and Equipment	86,416	49,153
Medical Machines and Equipment	8,108	3,673
Spares	69,715	20,381
TOTAL	<u>358,688</u>	<u>310,665</u>

NOTE 5.0 RECEIVABLES

Trade Receivables	1,436,170	1,153,412
Staff Receivables	95,674	79,539
Other Receivables	20,217	32,616
Prepayments	311,831	300,707
	1,863,892	1,566,274
Provision for Impairment of Receivables	(103,642)	(32,668)
TOTAL	<u>1,760,250</u>	<u>1,533,606</u>

NOTE 6.0 TAX RECOVERABLE

Income Tax	68,676	68,676
VAT	0	160,514
TOTAL	<u>68,676</u>	<u>229,190</u>

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NOTE 7.0 CASH AND BANK BALANCES	31.12.2008 TZS. '000'	31.12.2007 TZS. '000'
Cash in Hand	992	1,163
Cash at Bank – Current Accounts	160,664	51,969
Cash at Bank – Collection Accounts	48,510	41,515
TOTAL	210,166	94,647

NOTE 8.0 SHARE CAPITAL		
Authorized:		
60 Million Ordinary Shares of TZS 100/- each	6,000,000	6,000,000
Issued and fully paid:		
37,223,686 Ordinary Shares of TZS. 100/- each	3,722,369	3,198,559

During the year under review issued and fully paid ordinary shares increased from 31,985,590 to 37,223,686 ordinary shares of TZS.100/= @ due to rights issue exercise. The new ordinary shares rank pari passu in all respect with existing issued ordinary shares of TOL Gases Limited.

NOTE 9.0 SHARE PREMIUM	31.12.2008 TZS. '000'	31.12.2007 TZS. '000'
Balance as at Beginning of the Year	3,305,885	3,305,885
Balance at the year end	3,739,080	3,305,885
	000000007	

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 2008 was as follows: -		
	2008 TZS '000'	2007 TZS '000'
Balance as at 1 st January	645,559	616,095
Deposit During the Year	67,626	44,773
Refunds During the Year	(25,067)	(15,309)
Balance as at 31st December	688,118	645,559

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NOTE 11.0 BANK BORROWINGS	31.12.2008	31.12.2007
	TZS	TZS
	'000'	'000'
Commercial Bank of Africa	64,917	0
Tanzania Investment Bank	567,495	140,597
African Banking Corporation	<u>781,957</u>	<u>760,653</u>
	<u>1,414,369</u>	<u>901,250</u>
Less: Due within one Year:		
Commercial Bank of Africa	30,655	0
Tanzania Investment Bank	216,000	140,597
African Banking Corporation	<u>200,000</u>	<u>253,333</u>
	<u>446,655</u>	<u>393,930</u>
Borrowings Due after One Year	<u>967,714</u>	<u>507,320</u>

(a) **Commercial Bank of Africa Loan**

The Company secured a bank loan from Commercial Bank of Africa amount of TZS 95,000,000 in year 2008. The loan is repayable within thirty six months (36) commencing on 31st July, 2008. It was granted at an interest rate of 15%.

(b) **African Banking Corporation Loan**

The Company acquired the loan amount of TZS 600,000,000 from African Banking Corporation for the purpose of financing acquisition of two delivery trucks, costs of building a road side depot at Katumba-Mbeya Region, Carbon Dioxide filling hoses, standby generator, liquid oxygen pump oxy-acetylene cylinders and special gass stock as agreed to in terms of facility letter dated 24th May, 2007 and 19th June, 2007 (reference no.CK/CM/BS). 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.

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(c) **Tanzania Investment Bank Loan**

Bank loan secured from Tanzania Investment Bank is repayable in equal instalments up to five years including a grace period of six months commencing in June, 2008, depending on the cash flows period. The loan is used to finance the most immediate requirements for the turnaround strategy that include Co2 plant deport, distribution trucks and Aspen plant compressor. It was granted at an interest rate of 18%.

NOTE 12.0 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, 2008 an amount of TZS.166,473,504 was outstanding.

NOTE 13.0 PAYABLES	31.12.2008 TZS. '000'	31.12.2007 TZS. '000'
Trade Payables	543,861	505,867
Other Payables Including Taxation and Social Security Liabilities	666,678	381,258
Accrued Expenses	472,052	352,299
TOTAL	<u>1,682,591</u>	<u>1,239,424</u>

NOTE 14.0 SALES REVENUE	2008 TZS '000'	2007 TZS '000'
Industrial Gases	5,679,782	5,050,477
Medical Gases	495,545	416,580
Medical Equipment	37,679	7,828
Welding Equipment and Accessories	113,318	76,172
Fleet	90	0
TOTAL	<u>6,326,414</u>	<u>5,551,057</u>

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NOTE 16.0 OPERATING EXPENSES	2008	2007
	TZS	TZS
	'000'	'000'
Salaries	519,998	373,343
Overtime	0	41,411
Contributions to NSSF and PPF	43,998	34,940
Skills Development Levy	31,646	23,913
Bonus	64,021	38,910
Canteen Expenses	49,613	26,445
Uniforms and Overalls	16,707	12,547
Training Expenses	19,157	10,944
Medical Aid Scheme	65,681	41,364
Leave Pay and Passage	13,816	13,284
Other Allowances	9,100	6,281
Retirement Gratuity	33,784	16,875
Advertising	50,469	25,600
Stores Expenses	1,097	0
Professional Fees	31,152	51,215
Audit Fees	16,608	7,368
Legal Fees	32,074	20,182
Import License	12,861	13,367
Depreciation -Fixtures and Fittings.	3,143	5,234
Depreciation - Office Machines	9,058	7,812
Depreciation - Motor Vehicles	8,504	3,211
Depreciation - Buildings	2,876	429
Amortization of Intangible Assets	9,039	9,038
Travel on Duty	109,485	80,758
Bank Charges	75,902	50,865
Doubtful Debts	70,974	39,430
Directors Fees	12,000	15,153
Directors Sitting Allowance	7,383	15,830
Repair and Maintenance	4,810	9,958
Car Running Expenses	36,728	30,968
Property Expenses	14,488	10,732
Site Maintenance	8,991	7,367
Light and Water	89,802	71,134
Rent & Rates	21,291	24,927
Security	37,303	15,250
Repair - Office Machines	23,384	20,859
Office Cleaning	23,022	17,931
Stationary Supplies	107,508	98,823
Telephone Charges	65,343	61,154
Postages	34,398	32,600
Insurance	12,466	14,981
Subscriptions	11,688	3,635
Donations	6,780	9,809
Depreciation Adjustment	0	332,549
Miscellaneous Expenses	11,970	3,333
Annual General Meeting Expenses	19,513	31,097
TOTAL	1,849,631	1,782,856

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NOTE 17.0 FINANCE COSTS	2008 TZS. '000'	2007 TZS. '000'
Interest Expense	297,654	120,796
Exchange Losses - Loans	35,738	0
TOTAL	333,392	120,796

NOTE 18.0 TAXATION

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

NOTE 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 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 20.0 CAPITAL COMMITMENTS

As at the year end, there were capital commitments amounting to TZS 1,706,000,000 in respect of civil and electrical works for Katumba and Moshi Depot, and purchases of plant and equipment and gas cylinders, approved but not provided for in the financial statements.

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	2008	2007
Key management remuneration:	TZS	TZS
	'000'	'000'
Salaries and Allowances	330,595	255,982
Loans	0	26,064
Directors remuneration	12,000	15,152
TOTAL	<u>342,595</u>	<u>297,198</u>

DIRECTORS INTEREST

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

NOTE 24.0 COMPARATIVE FIGURES

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