TOL GASES LIMITED

DIRECTORS REPORT AND
FINANCIAL STATEMENTS

31 DECEMBER 2010

ERNST & YOUNG

TOL GASES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

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TOL GASES LIMITED

COMPANY INFORMATION
31 DECEMBER 2010

PRINCIPAL PLACE OF BUSINESS

Plot No.4, Nyerere Road
P. O. Box 911
Dar es Salaam

BANKERS

NBC Bank Limited
Industrial Branch
Nyerere Road
P.O.Box 40301
Dar es Salaam

CRDB Bank Plc
Vijana Branch
P. O. Box 10876
Dar es Salaam

Commercial Bank of Africa
Harbours View Towers, Samora Ave.
P. O. Box 9640
Dar es Salaam

ABC Bank Limited
Barclays House, 1st Floor
P. O. Box 31
Dar es Salaam

COMPANY AUDITORS

Ernst & Young
Certified Public Accountants
Utalii House
P. O. Box 2475
Dar es Salaam

COMPANY LAWYERS

Ngalo & Company Advocates
6th Floor IPS Bulidings
P. O. Box 79872
Dar es Salaam
Tanzania

Law Associates Advocates
6th Floor CRDB Buildings
Azikiwe Street
P. O. Box 11133
Dar es Salaam
Tanzania

Mbamba & Company Advocates
Consolidated Investment Buliding
2nd Floor Libya Street
P. O. Box 70280
Dar es Salaam
Tanzania

Kariwa & Co Advocates
Kiungani Street No.77
Off Lumumba Street.
Mkunazini Bldg 1st Floor
P. O. Box 13138,
Dar es Salaam
Tanzania

TOL GASES LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

1. INTRODUCTION

The Directors present their report and the audited financial statements for the financial year ended 31 December 2010 which disclose the state of affairs of TOL Gases Limited. The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 9th August 2011.

2. INCORPORATION

TOL Gases Limited is incorporated in Tanzania under Tanzanian Companies Act, 2002 as a public company limited by shares.

3. COMPANY'S VISION

To be the pride of Tanzania in Eastern, Central and Southern African markets for gases, complementing accessories and services.

4. COMPANY'S MISSION

To be the leading, safest and reliable supplier of high quality gases, complementing accessories and services in Eastern, Central and Southern Africa.

5. PRINCIPAL ACTIVITIES

The principal activity of the company is production and distribution of industrial gases, medical gases and related accessories.

6. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company at the date of this report and who have served since 01 January 2010; unless otherwise stated, are listed below:

Name	Position	Age (years)	Nationality
Eng. Harold Temu	Chairperson	61	Tanzanian
Mr. Michael Shirima	Director	68	Tanzanian
Mr. Godfrey Urasa	Director	69	Tanzanian
Mr. Simon Mponji	Director	67	Tanzanian
Mr. Arphaxad Masambu	Director	52	Tanzanian
PPF Representative	PPF Representative		Tanzanian
Treasury Register	Director		Tanzanian

All Directors were non-executive. The Company Secretary during the year ended 31 December 2010 was David Mchangilla.

7. DIRECTORS' REMUNERATION

The Directors are paid allowance for the meeting they attended during the year as disclosed in Note 24. Additionally, four of the directors, Mr. Michael Shirima and Eng. Harold Temu, Mr. Godfrey Urassa and Mr. Arphaxad Masambu, hold shares in the Company as shown in Note 8.

8. SHAREHOLDING

The total number of shareholders during the year 2010 is 37,223,686 shareholders.

Shareholder	Number of shares	%
M/S Erncon Holding Limited	4,315,208	11.59
Treasury Register	3,570,457	9.59
Michael Shirima	1,680,405	4.51
Swedfund	1,500,000	4.03
Anorld Kilewo	1,544,188	4.15
Joseph Anthony Gonsalves	1,020,185	2.74
National Bureau De Change	1,000,000	2.69
Social Action Trust Fund	954,834	2.57
Parastatal Pension Fund	1,083,333	2.91
Lake Chala Safari Lodge Limited	1,171,717	3.15
Harold Temu	1,127,836	3.03
Godfrey Urassa	432,215	1.16
Arphaxad Masambu	153,305	0.41
Others	17,584,733	47.24
TOTAL	**37,223,686**	**100.00**

9. CAPITAL STRUCTURE

The Company capital structure for the year under review is shown below:

Authorised Share Capital
60 Million Ordinary Shares of TZS 100 (Tanzanian Shilling One Hundred) each.

Called up and fully paid share capital
37,223,686 ordinary shares of TZS 100 each (2009: 37,223,686 ordinary shares)

10. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct
TOL Gases Limited is committed to the principles of effective corporate governance and the Board is of the opinion that the Company currently complies with principles of good Corporate Governance. The Board has formed a committee which deals with Audit, Finance, Investment, Planning and Administration since 2009 for better corporate governance:

The Board of Directors
The Board of TOL Gases Limited consists of seven Directors. None of the Directors hold executive positions in the Company. The Board takes overall responsibility for the Company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative for compliance with sound corporate governance principles. The Board is chaired by a Director who has no executive functions. The Board is confident that its members have the knowledge, talent and experience to lead the Company. The Non-Executive Directors are independent of management and exercise their independent judgment. With their depth of experience, they add value to Board deliberations.

The Board is required to meet at least four times a year and oversee the management of the business. Although, the Chief Executive Officer of the company is designated as Managing Director; he is not a member of the Board of Directors. He reports to the Board and enjoys all executive powers. He is assisted by senior management in the day to day operations of the company. The Managing Director and other Senior Managers are invited to attend Board meetings and are members of the sub committees of the Board which facilitates the effective control of all the Company's operational activities, acting as a medium of communication and coordination between the various business units.

Senior management meets on a regular basis to review the results, operations, key financial indicators and the business strategy of the Company. Board meetings are held quarterly to deliberate the results of the Company.

Performance evaluation and reward
Details of the remuneration paid to key management are disclosed in Note 24 to the financial statements. The Company benchmarks its reward system with prevailing going rate in the labour market to ensure that it is able to recruit and retain the best available talent. A bonus scheme is also under consideration to ensure collective and individual contribution towards the success of the Company is recognised and rewarded.

10. CORPORATE GOVERNANCE (Continued)

Performance evaluation and reward (Continued)
The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding the effectiveness and efficiency of operations in:

- The safeguarding of the Company's assets (including information);
- Compliance with the applicable laws, regulations and supervisory requirements;
- The reliability of the accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The Board assessed the internal control systems throughout the financial year ended 31 December 2010 and is of the opinion that they met acceptable criteria.

Ethical behaviour
Compliance with the Code of Conduct is the ultimate responsibility of the Managing Director with day-to-day monitoring delegated to line management with the support of personnel officers. All staff are expected to maintain the highest level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues.

The Company's Code of Conduct commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its Directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. The Directors and staff are expected to fulfil their ethical obligations in such a way that the business is run strictly according to fair commercial competitive practices.

Financial reporting and auditing
The Directors accept final responsibility for the preparation of the annual financial statements which fairly present:

- The financial position of the Company as at the end of the year under review;
- The financial results of operations and;
- The cash flows for that period.

The responsibility for compiling the annual financial statements is vested in the management and the Financial Audit was carried out independently by an external Auditor and the company complied with the company and other laws of Tanzania.

The external auditors of the company report on whether or not the annual financial statements are fairly presented.

10. CORPORATE GOVERNANCE (Continued)

Financial reporting and auditing

The Directors are satisfied that during the year under review:

- Adequate accounting records were maintained;
- An effective system of internal control and risk management, monitored by management, was maintained;
- Appropriate accounting policies, supported by reasonable and prudent judgments and estimates, were used consistently; and
- The financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002.

The Directors are also satisfied that no material event has occurred between the financial year-end and the date of this report which affects the business or has not been reported.

The Directors are of the opinion that the Company has sufficient resources and commitments at its disposal to operate the business in the foreseeable future. The financial statements have been prepared on a going concern basis.

11. MANAGEMENT

The Management of the Company is led by the Managing Director and is organized in the following functions:

- Finance and Accounts
- Production and Engineering Industrial Gases
- Production and Engineering Carbon dioxide
- Marketing and Business Development
- Human Resources and Administration

12. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Company during the year ended 31 December 2010 were:

Name	Position
Daniel Warungu	Managing Director
Rose Soloka	Deputy Director of Finance
Johanes Muga	Director Production and Engineering Industrial Gases
McJohn Mbiri	Director Production and Engineering Carbon dioxide
Zulfiquar Walli	Director Marketing and Business Development
David Mchangilla	Director of Human Resource and Administration

13. FUTURE DEVELOPMENT PLANS

The Company in its turnaround strategy 2011-15 has the following plans:

a) Increase its Carbon Dioxide production by over 200% in Rungwe District by installing new and a bigger Carbon Dioxide recovery plant.
b) Close its Dissolved Acetylene plant in Mwanza and concentrate on producing all Company's Dissolved Acetylene requirements from its Dar es Salaam plants.
c) Diversify product portfolio to include welding and medical consumables through partnering with major manufacturers of such products.
d) Acquire special gases filling machinery and equipment to allow utilization of currently idle equipments e.g. cryogenic tanks in the production and compression of special gases like Argon among others.
e) Acquisition of Palletisation equipment ensuring proper handling of gas cylinders thereby drastically reducing cylinder maintenance costs caused by mishandling.
f) Regionalise Sales and Marketing function into four regions countrywide.
g) Investment on ICT, including cylinder tracking system to avoid loss of cylinders
h) Restructuring of Company's workforce among other measures aimed at increasing efficiency and reducing costs.

The Company believes that these changes, majority of which are anticipated in 2011 will mark the turning point from previous poor performance to sustained growth.

14. DIVIDEND

The Directors do not recommend dividends in respect of the year ended 31 December 2010 due to trading losses which occurred during the year (2009 : Nil).

15. PERFORMANCE FOR THE YEAR

The detailed financial performance of the Company during the year is set out on page 13 of these financial statements, showing a loss before tax of TZS 1.49 billion (2009: loss of TZS 890 million), a decline of 68% over last year, while the net sales growth was 1% over the last year

16. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis with a reasonable expectation that TOL Gases Limited has adequate resources to continue its operational existence in the foreseeable future.

17. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption that the Company is a going concern. The Company's accounting policies, which are laid out on pages 22 to 31, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

18. INVESTMENTS

The company made investment in property, plant and equipment to the tune of TZS 389.9 million (2009: TZS 898.9 million) during the year ended 31 December 2010.

19. EMPLOYEES' WELFARE

Management and Employees' Relationship
A healthy relationship continues to exist between management and employees. There were no unresolved complaints received by Management from the employees during the year. The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position, free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion or disability.

Training Facilities
The Company sponsors its employees for both short and long term courses within and outside the country in various disciplines depending on the corporate needs and financial resources available; however no employees were sponsored for studies during the year under review.

Medical Assistance
Permanent employees with their families are treated at our designated hospital and allowed reimbursement of medical expenses incurred from other hospital on cases of emergences.

Health and Safety
The Company has a strong health and safety awareness which ensures that a culture of hygiene and safety prevails at all times. All employees and contractors are provided with appropriate personal protective equipment, all of which meets the safety requirements laid down under Occupational Health and Safety Act 2003 and other legislation concerning industrial safety, health and hygiene.

Persons with Disabilities
It remains the Company's policy to accept disabled persons for employment for those vacancies that they are able to fill. Opportunities for advancement are provided to each disabled person when a suitable vacancy arises within the organisation and all necessary assistance is given along with initial training. Where an employee becomes disabled during the course of his or her employment, the Company provides suitable alternate employment and necessary training thereof.

19. EMPLOYEES' WELFARE (Continued)

Financial Assistance to Staff
Loans are available to all permanent employees who are members of SACCOS. The company supports the SACCOS by being facilitator of loan repayment to CRDB Bank.

Retirement Benefits
The Company makes contributions in respect of staff retirement benefits to a defined statutory contribution plan viz; National Social Security Fund and Parastatal Pension Fund. The Company's obligations in respect of these contributions are limited to 10% and 15% respectively of the employees' gross salary, while the employees contribute 10 % and 5% of their gross salary.

The Company's employment terms are regularly reviewed to ensure they continue to meet statutory compliance and market conditions. The Company communicates with its employees through regular management and staff meetings and through circulars. The Company has continued to maintain a conducive working environment in terms of providing suitable work place, offices, washrooms and canteen facilities.

20. GENDER PARITY

The Company is equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2010 the Company has the ratio of 1:5 female to male employees.

21. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 24 to these financial statements.

22. POLITICAL DONATIONS

The Company does not make any political donations.

23. ENVIRONMENTAL CONTROL PROGRAMME

The Company has an environment policy and takes appropriate pollution control measures to confirm with various environment and pollution related statutes in Tanzania.

24. QUALITY

The Company has a formal quality assurance accreditation program, with all operations being monitored closely and the products are tested in the Company Laboratory, Airborne Labs International USA as well as, Tanzania Bureau of Standards (TBS).

25. CORPORATE SOCIAL RESPONSIBILITY

During the year TOL Gases Limited continued to support Tanzanian society through its Corporate Social Responsibility program. The Company participated in the construction of the village dispensary in Rungwe District as well as supporting local youth football club in Temeke District.

26. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzanian Companies Act, 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 of its profit or loss for that year. It also requires the directors to ensure the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the Tanzanian Companies Act, 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 which 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.

27. AUDITORS

The auditors, Ernst & Young were the Company auditors for the year ended 31 December 2010; they have expressed their willingness to continue and are eligible for reappointment. A resolution proposing the re-appointment of Ernst & Young as auditors for the year 2011 will be tabled at the Annual General Meeting.

By order of the Board

Name: HAROLD TEMU Title: CHAIRMAN Signature:

Name: GODFREY URASA Title: DIRECTOR Signature:

Date: 9th August 2011

Ernst & Young
Certified Public Accountants
Utalii House
36 Laibon Road, Oysterbay
P.O. Box 2475
Dar es Salaam, Tanzania
Tel: +255 22 2667227 / 7368/ 6853
Fax: +255 22 2666948/ 6869
E-mail: info.tanzania@tz.ey.com
www.ey.com/tz

INDEPENDENT AUDITORS' REPORT
to the shareholders of
TOL GASES LIMITED

We have audited the accompanying financial statements of TOL Gases Limited which comprise the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the summary of significant accounting policies and other explanatory notes as set out on pages 17 to 49.

Directors' responsibility for the financial statements

Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and Tanzanian Companies Act, 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements.

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness 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.

ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT (Continued)
to the shareholders of
TOL GASES LIMITED

Opinion

In our opinion, the financial statements, give a true and fair view of the financial position of TOL Gases Limited for the year ended 31 December 2010 and of its performance and its cash flow for the year then ended in accordance with the International Financial Reporting Standards and comply with the Tanzanian Companies Act, 2002.

Emphasis of Matter

As explained in Note 2 to the financial statements which state that the company incurred a loss before tax of TZS 1.49 billion for the year ended 31 December 2010 (2009: loss of TZS 890 million). Furthermore, the company closed the year with net current liability of TZS 2.47 billion (2009: net current liability of TZS 1.39 billion). These conditions as set out in Note 2; indicate the existence of a material uncertainty that casts significant doubt about the company's ability to continue as a going concern. A turnaround strategy has been formulated to address these issues and is under implementation in the year 2011.

Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Tanzanian Companies Act, 2002 and for no other purposes.

As required by the Tanzanian Companies Act, 2002, we report to you, based on our audit, that:

i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
ii. In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
iii. The Directors' report is consistent with the financial statements;
iv. Information specified by law regarding directors remuneration and transactions with the Company is disclosed; and
v. The Company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

Ernst & Young

Ernst & Young
Certified Public Accountants
Dar es Salaam.

Signed by: Neema Kiure Mssusa

9th August 2011

TOL GASES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	2010 TZS '000	*Restated* 2009 TZS '000	*Restated* At 01 January 2009 TZS '000
ASSETS				
Non-current Assets				
Property, plant and equipment	13	5,669,321	6,051,695	5,864,017
Intangible asset	14	-	9,038	18,077
		5,669,321	6,060,733	5,882,094
Current assets				
Inventories	15	418,706	440,436	358,688
Trade and other receivables	16	804,342	909,594	1,760,250
Taxation recoverable	17	68,676	68,676	68,676
Cash and bank balances		128,829	280,617	210,166
		1,420,553	1,699,323	2,397,780
TOTAL ASSETS		7,089,874	7,760,056	8,279,874
EQUITY AND LIABILITIES				
Equity				
Share capital	18	3,722,369	3,722,369	3,739,087
Share premium		3,739,087	3,739,087	3,739,087
Accumulated losses		(5,868,502)	(4,005,521)	(3,115,326)
		1,592,954	3,455,935	4,362,848
Non current liabilities				
Cylinder deposits	19	791,308	753,553	668,118
Long term borrowings	20	448,006	460,422	967,714
Deferred tax liability	17	370,142	-	-
		1,609,456	1,213,975	1,635,832
Current liabilities				
Trade and other payables	21	2,963,425	2,120,088	1,668,065
Bank overdraft	22	527,569	183,798	166,474
Current portion of loans	20	396,470	786,260	446,655
		3,887,464	3,090,146	2,281,194
TOTAL EQUITY AND LIABILITIES		7,089,874	7,760,056	8,279,874

These financial statements were approved by the board of directors for issue on 9th August 2011 and were signed on its behalf by:

Name: HAROLD TEMU Title: CHAIRMAN Signature: ____________

Name: GODFREY URASA Title: DIRECTOR Signature: ____________

TOL GASES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital TZS '000	Share premium TZS '000	Accumulated losses TZS '000	Total TZS '000
At 1 January 2010	3,722,369	3,739,087	(4,005,521)	3,455,935
Loss for for the year	-	-	(1,862,980)	(1,862,980)
At 31 December 2010	**3,722,369**	**3,739,087**	**(5,868,502)**	**1,592,954**
At 1 January 2009	3,722,369	3,739,087	(3,115,326)	4,346,130
Loss for the year	-	-	(890,195)	(890,195)
At 31 December 2009	**3,722,369**	**3,739,087**	**(4,005,521)**	**3,455,935**

TOL GASES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 TZS '000	2009 TZS '000
OPERATING ACTIVITIES:			
Loss before tax		(1,492,839)	(890,195)
Adjustment for non cash items:			
Depreciation		759,737	679,022
Amortisation		9,038	9,039
Gain on disposal of fixed assets		(2)	(4,674)
		(724,065)	**(206,809)**
Movements in working capital	18		
Decrease/(increase) in inventories		21,730	(81,748)
Decrease in trade and other receivables		105,252	850,655
Increase in trade and other payables		843,337	452,024
Cylinder deposits received		46,511	81,034
Cylinder deposits paid		(8,757)	(15,599)
		284,009	**1,079,557**
Tax paid		-	-
Net cash flows generated from operating activities		284,009	1,079,557
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(389,912)	(898,873)
Proceeds from sale of assets		12,550	40,129
Net cash flows used in investing activities		**(377,362)**	**(858,744)**
FINANCING ACTIVITIES:			
Bank loan received		754,393	580,864
Bank loan repaid		(1,156,600)	(748,551)
Net cash flows used in financing activities		**(402,207)**	**(167,687)**
Net (decrease)/increase in cash and cash equivalent		(495,560)	53,127
Cash and cash equivalents at 1 January		96,819	43,692
Cash and cash equivalents at 31 December		**(398,741)**	**96,819**

1. CORPORATE INFORMATION

The company is incorporated in Tanzania under the Companies Ordinance Cap.212 (Now Companies Act No. 12 of 2002)

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except certain financial instruments which are measured at fair value. The financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest thousand (TZS '000') except when otherwise indicated.

Going concern basis of preparation

Several conditions and events cast significant doubt about the Company's ability to continue as a "going concern." The company has incurred a loss before tax of TZS 1.49 billion for the year ended 31 December 2010 (2009: TZS 890 million). The company also closed the year with net current liability of TZS 2.47 billion (2009: net current liabilities of TZS 1.39 billion).

Property, plant and equipment of the Company are not used at their full capacity and the Company has been unable to face the existing competition from the gases produced by other competitors and sold at low prices.

The Directors are aware that the Company is facing the following challenges:

- Old and antiquated machines which are frequently breaking down and whose spare parts can only be imported;
- Stiff competition from the other gases producers whose costs is far below the Company's production cost because they sell gases as byproduct after meeting their internal needs;
- Lack of sufficient working capital to support Company's working capital requirements.

The above challenges are the major contributors for the poor financial performance of the Company. The following measures have been taken by the Directors and management of the Company to address the above challenges:

- To improve operational efficiencies and thereby improve production at minimum cost.
- To properly manage operation costs and consider cutting down some of the operation costs. This will be significantly achieved through restructuring of the operations;
- To source for additional working capital from other banks to the extent of TZS 4.9 billion. The Company has an overdraft facility with CRDB Bank Plc. The outstanding balance as at 31 December 2010 was TZS 528 million (2009: TZS 184 million);
- To re-negotiate and enter into agreements with statutory bodies to pay statutory dues in piecemeal.

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2. BASIS OF PREPARATION (Continued)

Going concern basis of preparation (Continued)

These financial statements do not reflect adjustments that would be necessary if the Company was unable to continue as a "going concern". While the Directors and management believe that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the "going concern" assumption used in preparing these financial statements, there can be no assurance that these actions will be successful.

If the Company was unable to continue as a "going concern," then substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the balance sheet classifications used.

Statement of compliance

The financial statements of TOL Gases Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following:

- Change in accounting policy of plant and machinery, from revaluation basis to cost basis, the details of which have disclosed been disclosed in note 25.

New and amended IFRS and IFRIC interpretation effective as of 1 January 2010:

- IFRS 2 Share-based Payment: Cash-settled Share-based Payment Transactions effective 1 January 2010
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009 including consequential amendments to IFRS 7, IAS 21,IAS 28, IAS 31 and IAS 39
- IAS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items effective 1 July 2009
- IFRIC 17 Distribution of Non Cash to owners effective 1 July 2009
- Improvements to IFRSs (May 2008) and
- Improvements to IFRSs (April 2009, early adopted)

The adoption of the standards or interpretations is described below:

IFRS 2 Share-based Payment (Revised)

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for Company cash-settled share-based payment transactions. The Company adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Company.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

The change in accounting policy had no impact on earnings per share.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Company.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Issued in May 2008

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment has no impact on the financial position or financial performance of the company.

Issued in April 2009

- ***IFRS 5 Non-current Assets Held for Sale and Discontinued Operations***: clarifies that the disclosures required in respect of non-current assets and disposal Company's classified as held for sale or discontinued operations are only those set out in IFRS 5. The disclosure requirements of other IFRSs only apply if specifically required for such non-current assets or discontinued operations. As a result of this amendment, the Company amended its disclosures in Note 6 Segment information.

- ***IAS 7 Statement of Cash Flows:*** States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment did not have an impact in the statement of cash flows presentation.

- ***IAS 36 Impairment of Assets:*** The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Company.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

Issued in April 2009

- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 34 Interim Financial Reporting
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statement requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could require a material adjustment to carrying amount of the asset or liability affected in the future periods.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Asset useful lives
The useful lives of items of property, plant and equipment are estimated annually and are in line with the rate at which they are depreciated.

Impairment of non-financial assets
The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Functional and Presentation Currency
The Company's financial statements are presented in Tanzanian Shillings (TZS), which is also the Company's functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Company at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to profit or loss.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates and Value Added Tax.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment is stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged to profit or loss account as and when incurred.

Depreciation on property, plant and equipment is computed on a reducing balance method over the estimated useful lives of the assets. The rates of depreciation used are:

• Buildings	2.0%
• Plant and machinery	5 - 10%
• Cylinders	4%
• Office equipment	10 - 20%
• Motor vehicles	20 - 25%

Land is not depreciated.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a potential period of time to prepare for its intend use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The company capitalizes borrowing costs for all eligible assets where construction was commenced on or after 1st January 2010.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials:

Purchase cost on a moving weighted average cost basis.

Finished goods and work in progress:

Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Employees' benefits

All of the Company's local employees in Tanzania are either members of the National Social Security Fund ("NSSF") or Parastatal Pension Fund (PPF), which are defined contribution plans. These plans are prescribed by Law of Tanzania. All employees must be a member of at least one of the aforementioned. The Company and employees both contribute 10% of the employees' gross salaries to the NSSF. For PPF, the Company and employees contribute 15% and 5% respectively of the employees' basic salaries to the scheme.

Cash and cash equivalent

Cash and cash equivalent in the statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company's of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. The current rate of corporate taxation is 30%.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is was incurred during the measurement period or in profit or loss.

Value Added Tax
Revenues, expenses and assets are recognised net of the amount of Value Added Tax except:

- Where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables, short-term loans other receivables and quoted financial instruments.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of comprehensive income. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in finance costs.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired and
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition (Continued)

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a Company of financial assets is impaired. A financial asset or a Company of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a Company of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets carried at amortised cost (Continued)
Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income

(ii) **Financial liabilities**

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income. The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iii) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective at the date of issuance of the Company financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 12 *Income taxes (Amendment)*
The amendment is effective for annual periods beginning on or after 1 January 2012 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis should be adopted. This amendment will have no impact on the Company after initial application.

IAS 24 *Related party disclosures (Amendment)*
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarifies the definition of related party to simplify the identification of such relationships and eliminate inconsistence in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The Company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government related services or for the entire standard.

IAS 32 *Financial Instruments: Presentation - Classification of Rights Issues (Amendments)*
The Amendment to IAS 32 effective for annual periods beginning on or after 1 February 2010 amended the definition of financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all of existing owners of the same class of an entity's non-derivative equity instrument, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of IASBs work on the replacement of IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In Subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will affect the classification and measurement of the Company's financial assets.

The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRS 10 *Consolidated Financial Statements*; IFRS 11 *Joint Arrangements*; IFRS 12 *Disclosure of Interest in Other Entities*.
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation - Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities. The changes will require management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. IFRS 10 will have no impact to the Company.

IFRS 11 replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly Controlled Entities - Non-monetary Contributions by Ventures. IFRS 11 uses some of the terms that were used in IAS 31 but with different meanings which may create some confusion as to whether there are significant changes. IFRS 11 focuses on the nature of the rights and obligations arising from the arrangement compared to the legal form in IAS 31. IFRS 11 uses the principle of control in IFRS 10 to determine joint control which may change whether joint control exists. IFRS 11 addresses only two forms of joint arrangements; joint operations where the entity recognises its assets, liabilities, revenues and expenses and/or its relative share of those items and joint ventures which is accounted for on the equity method (no more proportional consolidation).

IFRS 12 includes all the disclosures that were previously in IAS 27 related to consolidated financial statements as well as all of the disclosures that were previously included in IAS 31 and IAS 28 Investments in Associates. A number of new disclosures are also required. The Company will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. IFRS 10, 11 and 12 will be effective for the Company from 1 July 2013.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single framework for all fair value measurement when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. The Company will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Company from 1 July 2013.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Company.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss account. The adoption of this interpretation will have no effect on the financial statement of the Company.

Improvement of the IFRSs (issued in May 2010)
The IASB issued improvement to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods beginning on or after either 1 July 2010 or 1 January 2011. The amendments listed below are considered to have possible impact on the Company:

- IFRS 7 *Financial Instrument: Disclosures*
- IAS 1 *Presentation of Financial Statements*

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

7 REVENUE

	2010 TZS '000	2009 TZS '000
Industrial gases	5,036,021	5,060,279
Medical gases	673,476	611,124
Medical equipment	13,570	33,832
Welding equipment accessories	123,659	88,348
	5,846,726	5,793,583

8 COST OF SALES

	2010 TZS '000	2009 TZS '000
Raw material	1,062,115	1,102,667
Direct labour (Note 10)	884,186	538,241
Depreciation	725,468	644,752
Utilities	550,232	565,242
Overhead	870,831	718,199
Transport	832,136	886,589
Resaleable consumables	92,711	71,342
Imported gases	72,256	14,994
Other	-	175,630
	5,089,935	4,717,655

9 OPERATING EXPENSES

	2010 TZS '000	2009 TZS '000
Audit fees	28,227	56,080
Legal and professional fees	14,940	12,246
Provision impairment	-	253,559
Gain on disposal	(2)	(4,674)
Depreciation	34,270	34,270
Amortisation	9,038	9,039
Staff cost (Note 10)	657,418	823,944
Administration cost	1,274,952	663,442
	2,018,843	1,847,906

	2010 TZS '000	2009 TZS '000
10 STAFF COST		
Salaries and wages	809,795	669,426
Social security contribution	108,848	109,983
Other staff costs	622,962	582,776
	1,541,604	1,362,185

	2010 TZS '000	2009 TZS '000
11 FINANCE COSTS		
Interest expenses	297,655	121,801
Exchange (gains)/losses	(26,548)	1,090
	271,107	122,891

12 LOSS PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year.

	2010	2009
Net loss attributable to shareholders	(1,862,980)	(890,195)
Total number of shares	37,223,686	37,223,686
Loss per share (TZS)	**(50.05)**	**(23.91)**

13 PROPERTY, PLANT AND EQUIPMENT

	Land TZS '000	Building TZS '000	Plant & machinery TZS '000	Cylinders TZS '000	Motor vehicles TZS '000	Office equipment TZS '000	Total TZS '000
Cost							
At 1 January 2010	94,100	1,017,063	7,402,759	1,046,330	1,265,882	277,043	11,103,177
Additions	-	111,612	226,301	-	31,349	20,651	389,912
Disposal	-	-	-	-	(81,742)	-	(81,742)
At 31 December 2010	94,100	1,128,675	7,629,060	1,046,330	1,215,489	297,694	11,411,347
Accumulated depreciation							
At 1 January 2010	-	164,950	3,678,308	405,259	600,667	202,298	5,051,482
Charge for the year	-	22,591	449,710	39,826	226,439	21,171	759,737
Disposal	-	-	-	-	(69,192)	-	(69,192)
At 31 December 2010	-	187,540	4,128,018	445,086	757,914	223,469	5,742,027
Carrying value							
At 31 December 2010	94,100	941,134	3,501,042	601,244	457,575	74,225	5,669,321

The plant and machinery installed on industrial property Plot No. 41, Nyakato Industrial Area, Mwanza City and Plot No. 4 Pugu Industrial Area, Dar es Salaam City are held as security for the loans granted by CRDB Bank PLC and African Banking Corporation. These banks also hold legal mortgage over Company's property with Title No. 937 MZLR (LO No. 67760) Nyakato area and Title No. 186068/25 (LO No. 282480) Dar es Salaam City.

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land TZS '000	Building TZS '000	Plant & Machinery TZS '000	Cylinders TZS '000	Motor vehicles TZS '000	Office equipment TZS '000	Total TZS '000
Cost							
At 1 January 2009	94,100	458,315	7,313,069	1,046,330	1,097,230	248,499	10,257,543
Additions	-	564,115	89,913	-	214,795	30,050	898,873
Disposal	-	(5,367)	-	-	(46,143)	(1,506)	(53,016)
At 31 December 2009	94,100	1,017,063	7,402,982	1,046,330	1,265,882	277,043	11,103,400
Accumulated depreciation							
At 1 January 2009	-	157,791	3,265,119	365,433	418,513	183,388	4,390,245
Charge for the year	-	7,158	413,412	39,826	199,339	19,287	679,022
Disposal	-	-	-	-	(17,185)	(377)	(17,562)
At 31 December 2009	-	164,950	3,678,531	405,259	600,667	202,298	5,051,705
Carrying value							
At 31 December 2009	94,100	852,113	3,724,450	641,071	665,215	74,745	6,051,695

The plant and machinery installed on industrial property Plot No. 41, Nyakato Industrial Area, Mwanza City and Plot No. 4 Pugu Industrial Area, Dar es Salaam City are held as security for the loans granted by CRDB Bank PLC and African Banking Corporation. These banks also hold legal mortgage over Company's property with Title No. 937 MZLR (LO No. 67760) Nyakato area and Tilte No. 186068/25 (LO No. 282480) Dar es Salaam City.

	2010 TZS '000	2009 TZS '000
14 INTANGIBLES		
Computer software - ACCPAC		
Cost		
At 1 January	45,193	45,193
Additional	-	-
31 December	45,193	45,193
Accumulated amortization		
At 1 January	36,155	27,116
Charge for the year	9,038	9,039
31 December	45,193	36,155
Carrying value		
31 December	-	9,038
15 INVENTORIES		
Gases	115,236	166,508
Welding machines equipments	113,307	104,921
Medical machines equipment	12,375	9,761
Spares	177,788	159,246
	418,706	440,436
16 TRADE AND OTHER RECEIVABLES		
Trade receivables	836,107	884,715
Staff receivables	66,154	98,945
Prepayments	91,586	63,425
Other receivables	137,973	219,710
	1,131,819	1,266,795
Provision for impairment	(327,477)	(357,201)
	804,342	909,594
Movement on the provision for impairment of trade and other receivables:		
At 1 January	357,201	103,642
Charge for the year	-	253,559
Recoveries during the year	(29,724)	-
At 31 December	327,477	357,201
As at 31 December, the ageing analysis of trade and other receivables is as follows:		
Up to 30 days	638,082	736,219
31-60 days	345,930	231,689
61-90 days	14,820	28,129
Over 90 days	132,987	270,758
	1,131,819	1,266,795

Trade receivables are non-interest bearing and are generally on 60 day terms.

	2010 TZS '000	2009 TZS '000

17 TAXATION

	2010 TZS '000	2009 TZS '000
a) Current tax		
Deferred tax charge	370,142	-
b) Tax recoverable		
Balance at 1 January	68,676	68,676
Charge for the year	-	-
	68,676	68,676
Income tax paid	-	-
Balance at 31 December	68,676	68,676

There is no income tax charge as the company has carried forward tax losses amounting to TZS 2.37 billion (2009: TZS 1.4 billion) from previous years'. Tax assessments have been made up to 2007.

	2010 TZS '000	2009 TZS '000
c) Deferred tax		
Due to the following:		
Accelerated capital allowances	(1,117,809)	-
Tax losses	717,852	-
Provision	29,816	-
At 31 December	(370,142)	-
Total deferred tax liability	(370,142)	-

18 SHARE CAPITAL

	2010 TZS '000	2009 TZS '000
Authorized		
60 million Ordinary Shares of TZS 100 each	60,000,000	60,000,000
Issued and fully paid		
37,223,686 Ordinary Shares issued and fully paid	3,722,369	3,722,369

19 CYLINDER DEPOSITS

Cylinder deposits are made up of payments made by customers for use of cylinder containers to store gas. The deposits are refundable to customers upon return of the cylinders.
The movements of cylinder deposits accounts during the year was as follows:

	2010 TZS '000	2009 TZS '000
Balance as at January	753,553	688,118
Deposits made during the year	46,511	81,034
Refunds made during the year	(8,757)	(15,599)
	791,308	753,553

	2010	2009
	TZS '000	TZS '000

20 LOANS AND BORROWINGS

a) Commercial Bank of Africa Loan

The company secured a bank loan from Commercial Bank of Africa amounting to TZS 95 million in 2008.The loan is repayable within thirty six months commencing on 31 July 2008. The loan was granted at an interest rate of 15%. During the year 2009, an additional Loan amounting to TZS 187.5 million was granted repayable in six monthly equal installment starting October 2009.

	2010 TZS '000	2009 TZS '000
At 01 January	185,482	64,917
Loan received during the year	110,393	187,500
Repayment during the year	(214,897)	(66,935)
As at 31 December	80,978	185,482
Long term portion	-	110,482
Current portion	80,978	75,000

b) African Banking Corporation Loan

The company acquired the loan amounting to TZS 600 million from African Banking Corporation for purpose of financing acqisition of two delivery trucks, costs of building a road side depot at Katumba - Mbeya Region, Carbon Dioxide filling hoses, standby generator and other equipment. The loan carries a margin of 7% per annum below the Banks's Prime Lending Rate (which at the time of agreement was 25%), calculated on daily balance outstanding and payable montly in arrears. The Loan is secured by legal morgage covering 125% of the facility amount over a property located on plot No.4B Nyerere Road in Dar es Salaam. The loan is also secured by chartel mortgage over the Carbon Dioxide Plant financed by facility.

	2010 TZS '000	2009 TZS '000
At 01 January	383,713	781,857
Loan received during the year	-	83,572
Repayment during the year	(250,379)	(481,716)
As at 31 December	133,334	383,713
Long term portion	-	-
Current portion	133,334	429,911

	2010 TZS '000	2009 TZS '000

20 LOANS AND BORROWINGS (Continued)

c) Tanzania Investment Bank Loan

The company secured from Tanzania Investment Bank a Loan Amounting to TZS 1.15 billion repayable in equal instalments up to five years including a grace period of six months comencing in June 2008. The loan is used to finance the most immediate requirements for the turnaround strategy that include CO2 plant depot, distribution trucks and Aspen plant compressor. It was granted at an interest rate of 18%. The loan was settled during the year.

	2010 TZS '000	2009 TZS '000
At 01 January	677,487	567,495
Loan received during the year	-	309,992
Repayment during the year	(677,487)	(200,000)
As at 31 December	**-**	**677,487**
Long term portion	-	396,138
Current portion	-	281,349

d) CRDB Bank Plc Loan

The company secured a loan from CRDB Bank Plc amounting to TZS 644 million repayable in 36 monthly installments of TZS 22,960,357. The loan was used to settle Tanzania Investment Bank Loan. The loan was granted at an interest rate of 17%.

	2010 TZS '000	2009 TZS '000
At 01 January	-	-
Loan received during the year	644,000	-
Repayment during the year	(13,837)	-
As at 31 December	**630,163**	**-**
Long term portion	448,006	-
Current portion	182,157	-

21 TRADE AND OTHER PAYABLES

	2010 TZS '000	2009 TZS '000
Trade payables	735,979	698,668
Other payables	215,169	128,337
Statutory deduction	1,057,380	818,379
Accrual expenses	954,897	474,704
	2,963,425	**2,120,088**

Trade payables are non-interest bearing and are normally settled between 15 to 45 days after date of invoice. Other payables are non-interest bearing and have an average term of 30 days.

	2010	2009
	TZS '000	TZS '000

22 BANK OVERDRAFT

The Company had secured an overdraft facility with CRDB Bank of TZS 250 million at an interest of 16% per annum accruing daily on an outsatnding balance and is charged monthly. As at 31 December, the follwing amount was outstanding	527,569	183,798

23 EMPLOYEES PENSION

The company operates a defined contribution plan through a pension scheme to which both the employer and employee contribute. Some of the employees are members of the National Social Security Fund (NSSF) and others are members of Parastatal Pensions Fund (PPF).

The employer and the local employee, each contribute 10% to NSSF while under PPF the employee contribue 5% and employer 15%.

During the year, the company's contribution amounted to:

NSSF and PPF	108,848	109,983

24 RELATED PARTY TRANSACTIONS

During the year, the company entered into transactions with related parties as follow:

Key management remuneration		
Short term benefits	635,021	361,683
Other long term benefits - gratuity provision	103,135	3,750
Directors allowances	14,500	12,000
	752,656	377,433

25 CHANGE IN ACCOUNTING POLICY

During the year the Company changed its accounting policy on plant, property and equipments from Revaluation to Cost model. The effect is as shown below;

	2010 TZS'000	2009 TZS'000	2008 TZS'000
Revaluation model	15,689,025	15,380,855	15,170,210
Accumulated depreciation	(8,264,991)	(7,471,573)	(7,457,428)
Carrying value 31 December	7,424,034	7,909,282	7,712,782
Revised Cost Basis	11,411,348	11,103,400.00	10,102,596
Accumulated depreciation	(5,742,027)	(5,051,705)	(4,391,792)
Carrying value 31 December	5,669,321	6,051,695.00	5,710,804
Decrease in loss before tax	**102,874**	**144,391**	**140,905**
Decrease in equity	**1,754,713**	**1,857,587**	**2,001,978**

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise bank loans and overdrafts, and trade payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks which are summarised below:

a) Liquidity risk
Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available and thus the Company being unable to fulfil its existing and future cash flow obligations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company policy is that not more than 70% of borrowings should mature in the next 12 -month period (2009:70%). The Company assessed the concentration of risk with respect o financing its debt and concluded it to be low.

Year ended 31 December 2010

	On demand	Less than 3 months	3 to 12 months	Up to 5 years	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Interest bearing loans and borrowings	527,569	-	396,470	448,006	1,372,045
Trade and other payables	1,057,381	954,897	951,148	-	2,963,426
Cylinder deposits	-	-	-	791,308	791,308
	1 584,950	954,897	1,347,618	1,239,314	5,126,879

Year ended 31 December 2009

	On demand	Less than 3 months	3 to 12 months	Up to 5 years	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Interest bearing loans and borrowings	183,798	-	786,260	460,442	1,430,480
Trade and other payables	818,379	474,704	827,005	-	2,120,088
Cylinder deposits	-	-	-	753,553	753,553
	1,002,177	474,704	1,613,265	1,213,975	4,304,121

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Foreign currency risk

The Company operates within and outside Tanzania and its assets and liabilities are reported in local currency. As at the reporting date the Company did not hold significant foreign currency exposure resulting mainly from trade accounts payable denominated in United States dollars. Foreign currency risk is managed at an operational level and monitored by the Finance Department. Exposure to losses from foreign currency liabilities is managed through prompt payment of outstanding liabilities.

The following table demonstrates the sensitivity to a reasonably possible change in the US exchange rate with other variables held constant, of the company's profit before tax due to changes in Company's monetary assets and liabilities.

2010	Change in US$ rate	Effect on profit before tax TZS'000
	+10%	(9,239)
	-10%	9,239
2009	+9%	(5,424)
	-9%	5,424

c) Interest rate risk

The Company has adopted a non- speculative approach to the management of interest rate risk. For the past twelve months, there have not been significant changes in interest rates obtained by the Company from its Bankers for its loans and borrowings. The interest rate was 16% in 2009 and 17% during the year 2010. Furthermore, no significant change in interest rates is expected for the coming twelve months.

The following table demonstrates the sensitivity to possible changes in interest, with all other variables held constant, of the Company's profit before tax:

	Increase/(decrease) in interest rate	Effect on profit before tax TZS'000
Net effect based on statement of financial position as at 31 December 2010	+1%	-13,720
	-1%	+13,270
Net effect based on statement of financial position as at 31 December 2009	+1%	-14,305
	-1%	14,305

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Credit risk management

Credit risk is the risk that a customer or counter party to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the Company. Potential concentration of credit risk consists principally of short term cash and cash equivalents, and trade receivables.

The Company has a credit policy that is designed to ensure that consistent processes are in place throughout the Company to measure and control credit risk. Credit risk is considered as part of the risk-reward balance of doing business. On entering into any business contract the extent to which the arrangement exposes the Company to credit risk is considered. Key requirements of the policy are formal delegated authorities to the sales and marketing teams to incur credit risk and to a specialized credit function to set counterparty limits;

Trade account receivables comprise a widespread customer base. Ongoing credit evaluation of the financial position of customers is performed. The granting of credit is made on application and is approved by both the Finance Director and Marketing and Business Development Director.

Trade receivables are presented net of allowance for impairment. Accordingly, the Company has no significant concentration of credit risk which has not been insured or adequately provided for.

With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

The analysis of trade and other receivables is as per note 16.

27. LEASE COMMITMENTS

The company had no lease commitments at year end.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Company's financial assets and liabilities carrying values equals to their fair value. Set out below is a comparison by class of the carrying amounts and fair value of Company's financial instruments that are carried in the financial statements.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Carrying value		Fair value	
Financial assets	2010 TZS'000	2009 TZS'000	2010 TZS'000	2010 TZS'000
Trade receivables and other receivables	804,342	909,594	804,342	909,594
Cash and bank balances	128,829	280,617	128,829	280,617
	933,171	**1,190,211**	**933,171**	**1,190,211**
Financial liabilities				
Interest bearing loans	844,475	1,246,682	844,475	1,246,682
Cylinder deposits	791,308	753,553	791,308	753,553
Trade and other payables	2,963,426	2,120,088	2,963,426	2,120,088
Bank overdrafts	527,569	183,798	527,569	183,798
	5,126,778	4,304,121	5,126,778	4,304,121

29. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There is no known event that has impacted on the result for the year and the statement of affairs of the company after the reporting date.

30. CAPITAL MANAGEMENT DISCLOSURES AND ANALYSIS OF CHANGES IN NET DEBT

The Company defines capital as the total equity of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. All components of equity are included in the denominator of the calculation. Please see the table below;

30. CAPITAL MANAGEMENT DISCLOSURES AND ANALYSIS OF CHANGES IN NET DEBT (Continued)

At 31 December 2010, the net debt ratio was 57.34% (2009:43.09%).

	2010	2009
Gross debt	TZS'000	TZS'000
Interest bearing on loans are borrowings	844,476	1,246,682
Bank overdrafts	527,569	183,798
Trade and other payables	3,754,735	2,873,642
Cash and bank balances	(128,829)	(280,617)
Net debts	4,997,951	4,023,505
Equity	3,717,809	5,313,522
Capital and debt	8,715,760	9,337,027
Net debt ratio	57.34%	43.09%

31. CONTINGENT LIABILITIES

There are no material contingencies as at 31 December 2010, which may possibly result in a loss or gain to the company or in commitments which it cannot meet, and for which no provision is considered necessary or only partial provision has been made.

32. CAPITAL COMMITMENTS

	2010	2009
	TZS '000	TZS '000
As at the reporting date, the Company had the following capital commitments:		
Approved but not contracted for	4,900,000	NIL
Approved and contracted for	NIL	NIL

Funds to meet this expenditure will be provided by borrowing from financial institution and from Company's own resources and unutilised term facilities.