TOL GASES LIMITED

DIRECTORS REPORT AND
FINANCIAL STATEMENTS

31 DECEMBER 2011

TOL GASES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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TOL GASES LIMITED

COMPANY INFORMATION
31 DECEMBER 2011

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

Tanzania Investment Bank Limited
P. O. Box 9373
Dar es Salaam
Tanzania

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 AUDITOR

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

RM Attorneys
Raha Towers, 4th Floor
Bibi Titi/Maktaba Streets
P. O. Box 12778
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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2011

1. INTRODUCTION

The Directors present their report and the audited financial statements for the financial year ended 31 December 2011 which disclose the state of affairs of TOL Gases Limited. The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 25 July 2012.

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 2011; unless otherwise stated, are listed below:

Name	Position	Age (years)	Nationality
Eng. Harold Temu	Chairperson	62	Tanzanian
Mr. Michael Shirima	Director	69	Tanzanian
Mr. Godfrey Urasa	Director	70	Tanzanian
Mr. Simon Mponji	Director	68	Tanzanian
Mr. Arphaxad Masambu	Director	53	Tanzanian
PPF Representative	PPF Representative		Tanzanian
Treasury Register	Director		Tanzanian

All Directors were non-executive. The Company Secretary during the year ended 31 December 2011 was David Mchangilla.

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 facilitate 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 25 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 2011 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 2011 were:

Name	Position
Daniel Warungu	Managing Director
Rose Soloka	Deputy Director of Finance
Johannes 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

a. A new plant with ability to increase CO2 production by 200% has been procured. The plant is expected to be fully operational in the 4th quarter 2012.
b. Anew Dissolved Acetylene (DA) plant has been procured and will be installed in August 2012. It is expected to replace the existing old plant with the effect of eliminating frequent breakdowns and reduce costs of production for DA products.
c. The Company has already entered into partnership with ESAB and BUTBRO the world leading producers of welding and Medical products in the company's effort to diversify its product offering in line with the turnaround strategy. The Company is now the authorised distributor of products from the two companies in Tanzania.
d. The sales function has been segmented into regional zones thereby taking TOL close to the end users of its products while gaining valuable information on the customer feedback.
e. The Company has since invested Microsoft dynamics Navision for new ERP.
f. Restructuring of the Company workforce is in the final stages of recruitment for the newly created positions. The restructuring exercise will result in cost saving and increased efficiency.

The Implementation of the turnaround initiatives mentioned above are already bearing positive results as can be evidenced by the profits reported in the unaudited six months to June 2012 performance of Tshs 500 million. Accelerated improvement to the financial performance of the Company is expected from 2013 onwards when majority of turnaround strategy initiatives are expected to be fully operational.

14. DIVIDEND

The Directors do not recommend dividends in respect of the year ended 31 December 2011 due to trading losses which occurred during the year (2010 : 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 profit before tax of TZS 410 million (2010: loss of 1.49 billion), while the net sales growth was 26% 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 of a going concern. The Company's accounting policies, which are laid out on pages 17 to 34, 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 1.04 billion (2010: TZS 389.9 million) during the year ended 31 December 2011.

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

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. The Company also organises regular health check up for its employees which confirm to the applicable statutes and regulations in all countries of its operations.

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. The Company's policy is not discriminatory against people with regards to race, gender, religion or disability.

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, i.e. National Social Security Fund and Parastatals 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 2011 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 25 to these financial statements.

22. POLITICAL DONATIONS

The Company did not make any political donations during the year.

23. ENVIRONMENTAL CONTROL PROGRAMME

The Company has an environment policy and takes appropriate pollution control measures to conform 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 INVESTMENT

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 as well as a primary school in Rungwe District among other community development initiatives.

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 have expressed their willingness to continue in office as auditors and are eligible for reappointment. A resolution proposing the re-appointment of Ernst & Young as auditors for the year 2012 will be tabled at the Annual General Meeting.

By order of the Board

Name: HAROLD E TEMU Title: CHAIRMAN Signature:

Name: GODFREY URASA Title: DIRECTOR Signature:

Date: ________________2012

Ernst & Young
Certified Public Accountants
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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 2011 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 48.

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 2011 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

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicate that as at 31 December 2011, the Company's current liabilities exceeded its current assets by TZS 1,530.82 million. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about Company's ability to continue as a going concern.

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
25/07/2012

TOL GASES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 TZS '000	2010 TZS '000
Revenue	7	7,352,088	5,846,726
Cost of sales	8	(5,175,224)	(5,089,935)
Gross profit		2,176,864	756,791
Other income		669,585	40,320
Operating expenses	9	(2,097,097)	(1,992,295)
Operating profit/(loss)		749,352	(1,195,184)
Finance costs	11	(339,400)	(297,655)
Profit / (loss) before tax		409,952	(1,492,839)
Income tax expense	17	(289,984)	(370,142)
Profit/(loss) for the year		119,968	(1,862,981)
Other comprehensive income		-	-
Total comprehensive income/(loss)		119,968	(1,862,981)
Earning/(loss) per share (TZS)	13	3.22	(50.05)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Notes	2011 TZS '000	2010 TZS '000
ASSETS			
Non-current Assets			
Property, plant and equipment	12	5,835,582	5,669,321
Intangible asset	14	76,566	-
		5,912,148	**5,669,321**
Current assets			
Inventories	15	318,804	418,707
Trade and other receivables	16	2,383,754	804,342
Taxation recoverable	17	-	68,676
Cash and bank balances		161,839	128,829
		2,864,397	**1,420,554**
TOTAL ASSETS		**8,776,545**	**7,089,874**
EQUITY AND LIABILITIES			
Equity			
Share capital	18	3,722,369	3,722,369
Share premium		3,739,087	3,739,087
Accumulated losses		(5,748,535)	(5,868,502)
		1,712,921	**1,592,954**
Non current liabilities			
Long term borrowings	20	2,008,280	448,006
Deferred tax liability	17	660,126	370,142
		2,668,406	**818,148**
Current liabilities			
Trade and other payables	21	2,683,137	2,963,426
Bank overdraft	23	774,686	527,569
Cylinder deposits	19	640,060	791,308
Current portion of loans	20	297,336	396,470
		4,395,218	**4,678,772**
TOTAL EQUITY AND LIABILITIES		**8,776,545**	**7,089,874**

These financial statements were approved by the board of directors for issue on ....2012 and were signed on its behalf by:

Name: HAROLD E. TEMU **Title:** CHAIRMAN **Signature:**

Name: GODFREY URASA **Title:** DIRECTOR **Signature:**

TOL GASES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Share premium	Accumulated losses	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2011`	3,722,369	3,739,087	(5,868,502)	1,592,954
Total comprehensive income	-	-	119,968	119,968
At 31 December 2011	**3,722,369**	**3,739,087**	**(5,748,534)**	**1,712,922**
At 1 January 2010	3,722,369	3,739,087	(4,005,521)	3,455,935
Total comprehensive loss	-	-	(1,862,980)	(1,862,980)
At 31 December 2010	**3,722,369**	**3,739,087**	**(5,868,502)**	**1,592,954**

TOL GASES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 TZS '000	2010 TZS '000
OPERATING ACTIVITIES:			
Profit /(loss) before tax		409,952	(1,492,839)
Adjustment for non cash items:			
Depreciation	12	727,268	759,737
Amortisation		-	9,038
Finance cost	11	339,400	297,655
Gain on disposal of fixed assets		(88,677)	(10,954)
		1,387,943	(437,363)
Movements in working capital			
Decrease in inventories	15	99,903	21,729
(Increase)/decrease in trade and other receivables	16	(1,510,736)	105,252
Increase in cylinder deposits	19	(151,248)	37,755
(Decrease)/increase in trade and other payables	21	(280,289)	843,338
		(454,427)	570,711
Tax paid		-	-
Net cash flows generated from operating activities		(454,427)	570,711
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	12	(1,041,377)	(389,912)
Purchase of intangibles	14	(76,566)	-
Proceeds from sale of assets		236,524	23,500
Net cash flows used in investing activities		(881,419)	(366,412)
FINANCING ACTIVITIES:			
Bank loan received	20	1,835,797	754,393
Bank loan repaid	20	(374,658)	(1,156,600)
Interest paid		(339,400)	(297,655)
Net cash flows used in financing activities		1,121,739	(699,862)
Net decreace in cash and cash equivalent		(214,108)	(495,561)
Cash and cash equivalents at 1 January		(398,740)	96,821
Cash and cash equivalents at 31 December	22	(612,847)	(398,740)

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. 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

As at 31 December 2011, the Company's current liabilities exceeded its current assets by TZS 1,530.82 million (2010: TZS 3,258.22 million).

The Company has been using old and poorly serviced property, plant and equipment which have been frequently breaking down. Some of the plants have been running below capacity while for some products the Company has been struggling to meet demand.

Further, the Company has been facing lack of sufficient working capital to support its working capital requirements and has been relying on financing from commercial banks. Also the Company has an outstanding statutory deductions liability to remit to relevant authorities.

These conditions give rise to uncertainty on the Company's to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors and management of the Company have taken the following measures to address the above conditions:

- Restructuring the Company's operations in order to properly manage and cut down operation costs;
- Restructuring the Company's workforce in order to increase efficiency and reduce costs;
- Sourcing for additional working capital from other bank(s) to the extent of TZS 4.9 billion. In 2011, Tanzania Investment Bank lent the Company TZS 1.8 billion; The funds has been used to purchase property, plant and equipment to replace the old and poorly serviced ones the Company has been using. Additionally the Company has invested in new plant capacity for the products where it could not have hitherto meet market demand.
- Re-negotiating and entering into agreements with statutory bodies to pay statutory dues in installments.
- Improving operational efficiencies and thereby improve production at minimum cost through the use hiring as opposed to buying as well as workforce restructuring.

These financial statements do not reflect adjustments that would be necessary if the Company was unable to continue as a going concern.

2. BASIS OF PREPARATION (Continued)

Going concern (Continued)

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that that the Company will turn around the situation, continue to obtain relevant financial support and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

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 new and amended IFRS and International Financial Reporting Interpretation Committee (IFRIC) interpretations effective as of 1 January 2011:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010
- Improvements to IFRSs (May 2010)
- Improvements to IFRSs (May 2012)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The adoption of the standards or interpretations is described below:

IAS 24 *Related Party Transactions* (Revised)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity.
In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company as the definitions were already applied according to these amendments and the Company is not government related.

IAS 32 *Classifications of Rights Issues (Amendment)*
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these types of instruments.

IFRIC 14 *Prepayments of a Minimum Funding Requirement (Amendment)*
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements in Euroland, therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.

Improvements to IFRSs

In May 2010, the IASB issued its third 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 no impact on the financial position or performance of the Company.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 7 Financial Instruments – Disclosures (Clarification of Disclosures)
The amendment emphasises the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendments to quantitative and credit risk disclosures involve:

- Clarify that only financial assets with carrying amounts that do not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk;
- Require, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements, including the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk);
- Remove the disclosure requirement of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired;
- Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired; and
- Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets held at the reporting date.

The Company reflects the revised disclosure requirements in Note 26.

IAS 1 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

In May 2012, the IASB published final amendments to five IFRSs under its annual improvements project as part of its 2009-2011 cycles:

IAS 1 Presentation of Financial Statements: The amendment clarifies that comparative information in respect of the previous period (the required comparative information) forms part of a complete set of financial statements. The required comparative information includes comparatives for all amounts presented in the current period. An entity may present additional comparative information for periods before the required comparative period, as long as it is prepared in accordance with IFRS. All accompanying notes and disclosures must be provided.

IAS 1 Presentation of Financial Statements: The amendment clarifies that the opening financial position should be presented as of the beginning of the required comparative period, if the effect of the change is material. Relief is provided in that no "related notes" need accompany that opening statement of financial position. Disclosures required by IAS 8.41-44 about the change must however be provided.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IAS 16 ***Property, Plant and Equipment***: The amendment clarifies that servicing equipment is PP&E when used during more than one period; it should otherwise be classified as inventory.

IAS 32 ***Financial Instruments: Presentation***: The amendment clarifies that income tax related to distributions to equity holders and income tax related transaction costs of an equity transaction would be accounted for in accordance with IAS 12 Income Taxes (this includes determining whether the income tax is recognized in profit and loss or immediately in equity).

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:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (Accounting policy changes in the year of adoption)
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Revaluation Basis as Deemed Cost)
- IFRS 1 First-time Adoption of International Financial Reporting Standards (Use of "Deemed Cost" for operations subject to Rate Regulation)
- IFRS 1 First-time Adoption of International Financial Reporting Standards (guidance relating to the repeat application of IFRS 1)
- IFRS 1 First-time Adoption of International Financial Reporting Standards (guidance relating to the application of the transitional provisions of IAS 23)
- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Measurement of Non-controlling Interests)
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements (Transitional Requirements for Amendments made as a result of IAS 27 (as revised in 2008))
- IAS 34 Interim Financial Statements (Significant Events and Transactions)
- IAS 34 Interim Financial Statements (alignment of the disclosure requirements in IAS 34 with those of IFRS 8)
- IFRIC 13 (Fair Value of Award Credits)

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company.

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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:

Operating lease commitments
The company has entered into lease agreements for office and residential space. The Company has determined that it does not retain significant risks and rewards of ownership of these properties and so accounts for them as operating leases.

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.

Residual values
Residual value of an item of property, plant and equipment is estimated at initial recognition and assessed at each reporting period.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Impairment of financial assets
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group 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 group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group 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.

Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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, 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.

Leases

Company as a lesser
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental 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 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%
• 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.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful life of intangible assets is 5 years. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing Cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended 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.

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.

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 the United Republic 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 of 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 units (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.

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 income

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.

Current income 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
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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax (Continued)

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.

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.

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 and other receivables.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent measurement

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

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.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (continued)

A financial asset or a group 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 group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group 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 profit or loss. 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.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets carried at amortised cost (Continued)
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 loans and borrowings. 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.

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.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 29.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's 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 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 12 Income Taxes - Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendment becomes effective for annual periods beginning on or after 1 July 2012.Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

IAS 19 Employee Benefits (Amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The ban does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12.IAS 28 has been renamed as Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position of the Company.

IFRS 9 Financial Instruments: Classification and Measurement
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. 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 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 including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of 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. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

		2011	2010
		TZS '000	TZS '000
7	**REVENUE**		
	Industrial gases	6,169,459	5,036,021
	Medical gases	854,308	673,476
	Medical equipment	234,392	13,570
	Welding equipment accessories	93,929	123,659
		7,352,088	5,846,726
8	**COST OF SALES**		
	Direct Cost		
	Raw material	1,053,871	1,062,115
	Direct labour	784,265	884,186
	Depreciation	705,500	725,468
	Utilities	786,675	550,232
	Overhead	986,057	870,831
	Transport	791,001	832,136
	Resalable consumables	62,241	92,711
	Imported gases	5,614	72,256
		5,175,224	5,089,935
9	**OPERATING EXPENSES**		
	Audit fees	34,397	28,227
	Legal and professional fees	78,678	14,940
	Gain on disposal	(88,676)	(2)
	Exchange (gains)/losses	17,098	(26,548)
	Depreciation	21,768	34,270
	Amortisation	-	9,038
	Staff cost (Note 10)	495,211	657,418
	Administration cost	1,538,622	1,274,952
		2,097,097	1,992,295
10	**STAFF COST**		
	Salaries and wages	820,954	809,795
	Social security contribution	105,832	108,848
	Other staff costs	352,690	622,962
		1,279,476	1,541,604
11	**FINANCE COSTS**		
	Interest expenses	339,400	297,655
		339,400	297,655

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

12 PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Plant & machinery	Cylinders	Motor vehicles	Office equipment	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost								
At 1 January 2011	94,100	1,128,675	7,629,060	1,046,330	1,215,489	297,694	-	11,411,347
Reclassification	-	-	320,152	(327,407)	(11,176)	18,431	-	-
Additions	-	-	33,878	13,860	25,925	117,084	850,630	1,041,377
Disposal	-	-	(271,905)	-	(191,064)	-	-	(462,969)
At 31 December 2011	94,100	1,128,675	7,711,185	732,783	1,039,173	433,209	850,630	11,989,755
Accumulated depreciation								
At 1 January 2011	-	187,540	4,128,018	445,086	757,914	223,469	-	5,742,027
Reclassification	-	-	(93,388)	-	-	93,388	-	
Charge for the year	-	21,768	504,552	29,136	171,812	-	-	727,268
Disposal	-	(1,254)	(91,183)	(29,333)	(193,351)	-	-	(315,121)
At 31 December 2011	-	208,054	4,447,999	444,889	736,374	316,857		6,154,173
Carrying value								
At 31 December 2011	94,100	920,620	3,263,185	287,895	302,799	116,353	850,630	5,835,582

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.

Work in progress represent the new plant of CO_2 which is under construction in Kyejo - Mbeya. The commissioning of this plant is expected to be at the fourth quarter of year 2012

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2010

12 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	Tota TZS '00
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.

		2011	2010
		TZS '000	TZS '000
13	**EARNINGS/(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.		
	Net gain / (loss) attributable to shareholders	119,968	(1,862,981)
	Total number of shares	37,223,686	37,223,686
	Earning/(loss) per share (TZS)	**3.22**	**(50.05)**
14	**INTANGIBLES**		
	Computer software - Navision		
	Cost		
	At 1 January	45,193	45,193
	Additions	76,566	-
	31 December	121,759	45,193
	Accumulated amortization		
	At 1 January	45,193	36,154
	Charge for the year	-	9,039
	31 December	45,193	45,193
	Carrying value		(36,746)
	31 December	76,566	-
15	**INVENTORIES**		
	Raw materials	104,670	107,267
	Finished goods	28,071	115,236
	Welding machines equipments	167,785	113,307
	Medical machines equipment	18,277	12,375
	Spares	-	70,521
		318,803	418,707

There was no inventories written down during the year (2010: Nil)

	2011	2010
	TZS '000	TZS '000

16 TRADE AND OTHER RECEIVABLES

Trade receivables	1,265,468	836,107
Staff receivables	194,994	66,154
Prepayments	1,259,610	91,586
Other receivables	-	137,973
	2,720,072	1,131,819
Provision for impairment	(336,318)	(327,477)
	2,383,754	804,342

Trade receivables are non-interest bearing and are generally on 30-90 day terms.
As at 31 December 2011,trade receivables amounting to TZS 336,318 (2010: 327,477 TZS)

Movement on the provision for impairment of trade and other receivables:

At 1 January	327,477	357,201
Charge for the year	8,841	-
Recoveries during the year	-	(29,724)
At 31 December	336,318	327,477

As at 31 December, the ageing analysis of trade and other receivables is as follows:

Up to 30 days	771,069	638,082
31 - 60 days	921,016	345,930
61 - 90 days	675,100	14,820
Over 90 days	352,887	132,987
	2,720,072	1,131,819

Trade and other receivables comprise of the following amounts denominated in foreign currency:

United States Dollars	207,087	45,262
Sterling Pound (GBP)	149,925	165,245
Euro	26,160	19,200
	383,172	229,707

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	TZS '000	TZS '000

17 TAXATION

	2011 TZS '000	2010 TZS '000
a) Income tax expense		
Deferred tax charge	(289,984)	(370,142)
b) Tax recoverable		
Balance at 1 January	68,676	68,676
Provision for impairement	(68,676)	-
	-	68,676
Balance at 31 December	-	68,676

There is no income tax charge as the company has carried forward tax losses amounting to TZS 1.86 billion (2010: TZS 2.37 billion) from previous years'. Tax assessments have been made up to 2007.

	2011 TZS '000	2010 TZS '000
c) Deferred tax		
Due to the following:		
Accelerated capital allowances	(1,242,671)	(1,117,809)
Tax lossess for liabilities	559,290	717,852
Provision	23,255	29,816
At 31 December	(660,126)	(370,142)
Total deferred tax liability	(660,126)	(370,142)

18 SHARE CAPITAL

	2011 TZS '000	2010 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:

	2011 TZS '000	2010 TZS '000
Balance as at January	791,308	753,553
Recognised as other income during the year	(324,993)	-
Deposits made during the year	173,744	46,511
Refunds made during the year	-	(8,757)
	640,060	791,308

	2011	2010
	TZS '000	TZS '000

20 LOANS AND BORROWINGS

a) Commercial Bank of Africa Loan

During the year 2009, an additional Loan amounting to TZS 187.5 million was granted repayable in six monthly equal installment starting October 2009. In year 2010 the Company was issued with a additional loan amounting to TZS 110 million repayable in eight equal installments. The loan bears interest at the rate of 17%.

	2011	2010
At 01 January	80,978	185,482
Loan received during the year	-	110,393
Repayment during the year	(59,167)	(214,897)
As at 31 December	21,812	80,978
Long term portion	-	-
Current portion	21,812	80,978

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 montlhy 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.

	2011	2010
At 01 January	133,334	383,713
Loan received during the year	-	-
Repayment during the year	(133,334)	(250,379)
As at 31 December	-	133,334
Long term portion	-	-
Current portion	-	133,334

c) Tanzania Investment Bank Loan

The company secured from Tanzania Investment Bank a Loan Amounting to TZS 1.84 billion repayable in equal instalments up to five years including a grace period of six months commencing in September 2011. 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.

	2011	2010
At 01 January	-	677,487
Loan received during the year	1,835,798	-
Repayment during the year	-	(677,487)
As at 31 December	1,835,798	-
Long term portion	1,835,798	-
Current portion	-	

	2011	2010
	TZS '000	TZS '000

20 LOANS AND BORROWINGS (Continued)

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%.

	2011	2010
At 01 January	630,163	-
Loan received during the year	-	644,000.00
Repayment during the year	(182,157)	(13,837.02)
As at 31 December	448,006	630,162.98
Long term portion	172,481	448,005.70
Current portion	275,524	182,157.28
Total long term loan	2,008,280	448,006
Total current portion loan	297,336	396,470

21 TRADE AND OTHER PAYABLES

	2011	2010
Trade payables	669,467	735,979
Other payables	(99,861)	215,169
Statutory deduction (PAYE & NSSF)	1,268,933	1,057,381
Accrual expenses	844,598	954,897
	2,683,137	2,963,426

Terms and conditions of the above financial liabilities:
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 six months.

Trade and other payables comprise of the following amounts denominated in foreign currency:

	2011	2010
United States Dollars	59,108	34,123
Sterling Pound (GBP)	17,143	23,345
	76,251	57,468

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	TZS '000	TZS '000

22 CASH AND CASH EQUIVALENTS

Cash in hand	144,701	82,554
Cash at Bank	17,138	46,275
	161,839	128,829

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following

Cash at banks and on hand	161,839	128,829
Bank overdrafts (Note 23)	(774,686)	(527,569)
	(612,847)	(398,740)

Cash and cash equivalents comprise of the following amounts denominated in foreign currency:

United States Dollars	7,600	6,534

23 BANK OVERDRAFT

The Company had secured an overdraft facility with CRDB Bank of TZS 900 million at an interest of 16% per annum accruing daily on an outstanding balance and is charged monthly.

As at 31 December, the follwing amount was outstanding	774,686	527,569

24 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	108,848

25 RELATED PARTY TRANSACTIONS

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

Key management remuneration		
Short term benefits	710,585	635,021
Other long term benefits - gratuity provision	155,055	103,135
Directors remuneration	14,500	14,500
	880,140	752,656

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise bank loans and overdrafts, 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 (2010:70%). The Company assessed the concentration of risk with respect o financing its debt and concluded it to be low.

Year ended 31 December 2011

	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	774,686	-	297,336	3,763,290	4,835,312
Trade and other payables	1,378,476	440,163	864,498	-	2,683,137
Cylinder deposits	-	-	965,052	-	965,052
	2,153,162	440,163	2,126,886	3,763,290	8,483,501

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

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 was not exposed to significant foreign currency exposure, although there are certain 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. There is no impact on equity.

	Change in US$ rate	Effect on profit before tax (TZS'000)
2011	+10%	(9,239)
	-10%	9,239
2010	+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 2010 and 17% during the year 2011. 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: There is no impact on the equity.

	Increase/(decrease) in interest rate	Effect on profit before tax TZS'000
Net effect based on statement of financial position as at 31 December 2011	+1%	-13,720
	-1%	+13,270
Net effect based on statement of financial position as at 31 December 2010	+1%	-14,305
	-1%	14,305

d) Credit risk management

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 Business Development Manager.

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. 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 is not subject to any externally imposed capital requirements. The Company manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the years end 31 December 2011 and 31 December 2010.

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;

At 31 December 2011, the net debt ratio was 60.11% (2010: 57.34%).

	2011	2010
Gross debt	TZS'000	TZS'000
Interest bearing loans and borrowings	2,305,616	844,476
Bank overdrafts	774,686	527,569
Trade and other payables	2,683,137	3,754,735
Cash and bank balances	(161,839)	(128,829)
Net debts	5,601,600	4,997,951
Equity	3,717,809	3,717,809
Capital and debt	9,319,409	8,715,760
Net debt ratio	60.11%	57.34%

28. EVENTS AFTER THE REPORTING DATE

The share price at the Dar es Salaam Stock Exchange has increased from TZS 200 per share on 31 December 2011 to TZS 220 per share on 24 July 2012.

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