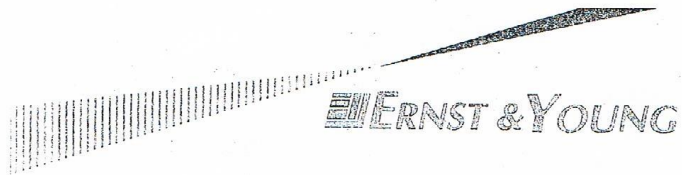


**TOL GASES LIMITED**  
**DIRECTORS REPORT AND**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2012**



**TOL GASES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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**TOL GASES LIMITED**

**COMPANY INFORMATION**  
**31 DECEMBER 2012**

**PRINCIPAL PLACE OF BUSINESS**

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

**BANKERS**

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

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

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

ABC Bank Limited  
Barclays House, 1<sup>st</sup> 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 Buildings  
P.O. Box 79872  
Dar es Salaam  
Tanzania

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

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

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

## TOL GASES LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

#### 1. INTRODUCTION

The Directors present their report and the audited financial statements for the financial year ended 31 December 2012 which disclose the state of affairs of TOL Gases Limited. The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 22 May 2013.

#### 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 2012; unless otherwise stated, are listed below:

<u>Name</u>	<u>Position</u>	<u>Age (years)</u>	<u>Nationality</u>
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 Acting Company Secretary during the year ended 31 December 2012 was David Mchangilla.

TOL GASES LIMITED

DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

7. DIRECTORS' REMUNERATION

The Directors are paid an allowance for each meeting they attend. Allowances paid during the year are disclosed in Note 26. Additionally, four of the directors, Mr. Michael Shirima, Eng. Harold Temu, Mr. Godfrey Urassa, Mr. Simon Mponji and Mr. Arphaxad Masambu, hold shares in the Company as shown in the table below.

8. SHAREHOLDING

The total number of shares during the year 2012 is 37,223,686 shares.

Shareholder	Number of shares	%
M/S Erncon Holding Limited	4,315,208	11.59%
Treasury Register	3,570,457	9.59%
Michael Shirima	1,680,405	4.51%
Anorld Kilewo	1,544,188	4.15%
Ernest Saronga Massawe	1,538,423	4.13%
Harold Enock Temu	1,335,113	3.59%
Lake Chala Safari Lodge Limited	1,171,717	3.15%
Kasbian Limited	971,721	2.61%
Goodison Fourty Seven Limited	954,834	2.57%
Godfrey Shiletikwa Urassa	940,110	2.53%
Gasper Urio	760,855	2.04%
William Mshabaha Lyakurwa	733,072	1.97%
Arphaxad Masambu	150,094	0.40%
Simon Mponji	25,000	0.07%
Others	17,532,489	47.10%
<b>TOTAL</b>	<b>37,223,686</b>	<b>100.00%</b>

9. CAPITAL STRUCTURE

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

***Authorised Share Capital***

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

***Called up and fully paid share capital***

37,223,686 ordinary shares of TZS 100 each (2011: 37,223,686 ordinary shares)

## TOL GASES LIMITED

### DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2012

#### 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 26 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 in place to ensure collective and individual contribution towards the success of the Company is recognised and rewarded.

**TOL GASES LIMITED**

**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 2012 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.

**TOL GASES LIMITED**

**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 2012 were:

<b>Name</b>	<b>Position</b>
Daniel Warungu	Managing Director
Johanes Muga	Director Production and Engineering Industrial Gases
McJohn Mbiri	Director Production and Engineering Carbon dioxide
Zulfiquar Walli	Director Marketing and Business Development
Juliana Mrikaria	Director of Human Resource and Administration
Rose M Soloka	Deputy Director of Finance



**TOL GASES LIMITED**

**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**13. FUTURE DEVELOPMENT PLANS**

The Company is on course along turnaround strategy for 2011-15 recovery plans. The following are the updates on various strategic initiatives that had started in fiscal year 2011:

- a) A new two tons per hour Carbon dioxide (CO<sub>2</sub>) recovery plant in Rungwe District was successfully completed and successfully commissioned. The plant's close proximity to the main Malawi -Mbeya highway will ensure the Company will be able to supply the needs of its customers throughout the year even during the rainy seasons. Besides the Company's combined CO<sub>2</sub> production is sufficient to meet all the needs of customers within Tanzania and neighbouring countries of SADC and EAC. Fleet modernisation was carried out whereby modern road tankers were acquired while old ones were disposed to strengthen TOL's position as a reliable supplier.  
Furthermore the Company has started process of attaining ISO/FSSC 22000 in recognition of TOL's role as supplier and the importance of high quality food grade gases used in the food and beverage sector.
- b) The Company had considered closing down its Dissolved Acetylene plant in Mwanza and concentrate on producing all Company's Dissolved Acetylene requirements from its Dar es Salaam plants however after consulting major customers in the area, it was realised that such a move would have weakened the Company's market position as a local producer instead a new plant will be acquired in near future to strengthen this position even further.
- c) A major partnership deal with ESAB the world's second largest welding products manufacturer was finalised making TOL ESAB's Tanzania distributor hence diversifying into high quality range of welding products.
- d) Closeness to customers and consumers is considered a very important asset to the Company. To strengthen this capability, the national market was segmented into four regional sales and marketing zones with each zone represented by a TOL's fulltime zone manager.
- e) A major restructuring of the of Company's workforce was initiated that saw the Company reduce its workforce by 28% however the Company embarked on modernising workers terms and condition, training , recruitment and retention policies and other motivation and cultural change initiatives. All this is aimed towards turning the Company's corporate culture to a high performance and execution culture.

**Future outlook:**

The Company is now set to become a regional player in the CO<sub>2</sub> market having increased production capacity and modernised its distribution fleet.  
The future for special gases, liquid oxygen and liquid nitrogen is brighter by the day buoyed by the increasing discoveries of minerals, oil and gas in Tanzania and across the region. The increased mining activities will significantly boost consumption of industrial gases.

**TOL GASES LIMITED**

**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**13. FUTURE DEVELOPMENT PLANS (Continued)**

These developments make the Company's Air separation plant (Aspen 1000) which has been until now considered over size a strategic asset for TOL however for the Company to exploit economies of scale from the plant, the challenges of stable and reliable source of electricity and removing plant's inefficiencies must be addressed.

The Company believes that its systematic addressing of its infrastructural challenges with a view to ensuring sustainability across the entire value chain will guarantee the Company's future success and position as a major regional player in the industrial gases market.

**14. DIVIDEND**

The Directors do not recommend dividends in respect of the year ended 31 December 2012.

**15. PERFORMANCE FOR THE YEAR**

The detailed financial performance of the Company during the year is set out on page 14 of these financial statements, showing a profit before tax of TZS 1,377 million (2011: profit of 409 million), an increase of 236% over last year, while the net sales growth was 30% 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 18 to 32, 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 value of TZS 6.68 billion (2011: TZS 1.04 billion) during the year ended 31 December 2012.

**TOL GASES LIMITED**

**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**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**

The company has medical insurance for permanent employees with their families.

**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 Tanzania.

**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

**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.

**TOL GASES LIMITED**

**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**19. EMPLOYEES' WELFARE (Continued)**

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 2012 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 26 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 in Rungwe District, supporting local youth football club in Temeke District and Children Orphanage in Arusha City.

**TOL GASES LIMITED**

**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 2013 will be tabled at the Annual General Meeting.

By order of the Board

Name: HAROLD E. TOWI

Title: CHAIRMAN

Signature: 

Name: Simon C. Mponzi

Title: DIRECTOR

Signature: 

Date: 22nd MAY 2013



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

**INDEPENDENT AUDITOR'S REPORT  
to the Shareholders of  
TOL GASES LIMITED**

**Report on the Financial Statements**

We have audited the financial statements of TOL Gases Limited set out on pages 14 to 47, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

*Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and the requirements of the Tanzania 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 misstatement, whether due to fraud or error.

*Auditor's 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 about 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 auditor's judgement, 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 in 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.

**INDEPENDENT AUDITOR'S REPORT  
to the Shareholders of  
TOL GASES LIMITED (Continued)**

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2012, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and 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 2012, the Company's current liabilities exceeded its current assets by TZS 2,976 million (2011: TZS 1,856 million). These conditions, along with other matters as set forth in Note 2, indicate the existence of uncertainty that may cast doubt about Company's ability to continue as a going concern.

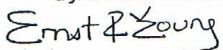
Our opinion is not qualified in respect of this matter.

**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 corporate in accordance with the Tanzania Companies Act, 2002 and for no other purposes.

As required by the Tanzania 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 accounts 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 accounts.

  
**Ernst & Young**  
**Certified Public Accountants**  
**36 Laibon Road Oysterbay**  
**P.O Box 2475**  
**Dar es Salaam - Tanzania**  
**Signed by Neema Kiure Mssusa (Partner)**

12/06/2013

TOL GASES LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2012

		<u>2012</u>	<u>2011</u>
	Notes	TZS '000	TZS '000
Revenue	8	9,555,089	7,352,088
Cost of sales	9	(5,827,514)	(5,175,224)
<b>Gross profit</b>		<u>3,727,575</u>	<u>2,176,864</u>
Other income		612,327	669,585
Operating expenses	10	(2,730,272)	(2,097,097)
<b>Operating profit</b>		<u>1,609,630</u>	<u>749,352</u>
Finance costs	12	(232,495)	(339,400)
<b>Profit before tax</b>		<u>1,377,135</u>	<u>409,952</u>
Income tax expense	18	(425,035)	(289,984)
<b>Profit for the year</b>		<u>952,100</u>	<u>119,968</u>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<u><u>952,100</u></u>	<u><u>119,968</u></u>
Basic and diluted earning per share (TZS)	14	25.58	3.22

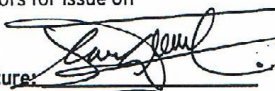


TOL GASES LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2012

	Notes	2012 TZS '000	2011 TZS '000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	13	11,663,952	5,835,582
Intangible asset	15	64,581	76,566
		<u>11,728,533</u>	<u>5,912,148</u>
<b>Current assets</b>			
Inventories	16	1,071,544	318,804
Trade and other receivables	17	1,215,152	2,383,754
Cash and bank balances	23	214,729	161,839
		<u>2,501,425</u>	<u>2,864,397</u>
<b>TOTAL ASSETS</b>		<u>14,229,958</u>	<u>8,776,545</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	3,722,369	3,722,369
Share premium		3,739,087	3,739,087
Accumulated losses		(4,796,434)	(5,748,534)
		<u>2,665,022</u>	<u>1,712,922</u>
<b>Non current liabilities</b>			
Long term borrowings	21	5,009,540	2,008,279
Deferred tax liability	18	1,077,973	660,126
		<u>6,087,513</u>	<u>2,668,405</u>
<b>Current liabilities</b>			
Trade and other payables	22	3,086,679	2,683,137
Tax payable	18	7,188	-
Bank overdraft	24	958,316	774,686
Cylinder deposits	20	341,476	640,059
Current portion of loans	21	1,083,764	297,336
		<u>5,477,423</u>	<u>4,395,218</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>14,229,958</u>	<u>8,776,545</u>

These financial statements were approved by the board of directors for issue on  
22<sup>nd</sup> MAY 2013 and were signed on its behalf by:

Name: HAROLD E. TENU Title: CHAIRMAN Signature: 

Name: Simon C. Mponzi Title: DIRECTOR Signature: 

TOL GASES LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital TZS '000	Share premium TZS '000	Accumulated losses TZS '000	Total TZS '000
At 1 January 2012	3,722,369	3,739,087	(5,748,534)	1,712,922
Profit for the year	-	-	952,100	952,100
<b>At 31 December 2012</b>	<b><u>3,722,369</u></b>	<b><u>3,739,087</u></b>	<b><u>(4,796,434)</u></b>	<b><u>2,665,022</u></b>
At 1 January 2011	3,722,369	3,739,087	(5,868,502)	1,592,954
Profit for the year	-	-	119,968	119,968
<b>At 31 December 2011</b>	<b><u>3,722,369</u></b>	<b><u>3,739,087</u></b>	<b><u>(5,748,534)</u></b>	<b><u>1,712,922</u></b>

TOL GASES LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2012

		<u>2012</u>	<u>2011</u>
	Notes	TZS '000	TZS '000
<b>OPERATING ACTIVITIES:</b>			
Profit before tax		1,377,135	409,952
<b>Adjustment for non cash items:</b>			
Depreciation and amortisation	13 & 15	858,292	727,268
Interest paid		232,495	339,400
Impairment of receivables		76,267	8,841
Gain on disposal of fixed assets		<u>(53,164)</u>	<u>(88,677)</u>
		<b>2,491,025</b>	<b>1,396,783</b>
<b>Movements in working capital</b>			
(Increase)/decrease in inventories	16	(752,741)	99,903
Decrease/(increase) in trade and other receivables	17	1,092,335	(1,519,577)
Decrease in cylinder deposits	19	(298,583)	(151,248)
Increase/(decrease) in trade and other payables	22	<u>403,542</u>	<u>(280,289)</u>
		<b>444,554</b>	<b>(1,851,211)</b>
<b>Net cash flows generated from/(used in) operating activities</b>		<u><b>2,935,578</b></u>	<u><b>(454,427)</b></u>
<b>INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	13	(6,674,850)	(1,041,377)
Purchase of intangibles	15	(4,160)	(76,566)
Proceeds from sale of assets		57,500	236,524
<b>Net cash flows used in investing activities</b>		<u><b>(6,621,510)</b></u>	<u><b>(881,419)</b></u>
<b>FINANCING ACTIVITIES:</b>			
Bank loan received	21	4,025,155	1,835,797
Bank loan repaid	21	(237,467)	(374,658)
Interest paid		<u>(232,495)</u>	<u>(339,400)</u>
<b>Net cash flows used in financing activities</b>		<u><b>3,555,193</b></u>	<u><b>1,121,739</b></u>
Net decrease in cash and cash equivalent		(130,739)	(214,107)
Cash and cash equivalents at 1 January		<u>(612,847)</u>	<u>(398,740)</u>
<b>Cash and cash equivalents at 31 December</b>	23	<u><b>(743,587)</b></u>	<u><b>(612,847)</b></u>

**TOL GASES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**1. CORPORATE INFORMATION**

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

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

**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 2012, the Company's current liabilities exceeded its current assets by TZS 2,976 million (2011: TZS 1,856 million).

Furthermore, the Company is largely financing its working capital through commercial banks.. Also the Company has an outstanding statutory liability that has not been remitted to the relevant authorities for a numbers of months.

These conditions give rise to uncertainty which may cast doubt on the Company's ability 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:

- Successfully increased production and distribution capacity for carbon dioxide gas which though profitable the Company was previously unable to meet demand.
- Have increased marketing activities with a view to increasing market share across all product lines.
- Restructuring the Company's operations in order to properly manage and cut down operation costs;
- Re-negotiating and entering into agreements with statutory bodies to pay statutory dues in piecemeal.
- Improving operational efficiencies and thereby improve production at minimum cost.

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

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**2. BASIS OF PREPARATION (Continued)**

**Going concern**

While the directors and management believe that the actions already taken or planned, will mitigate the adverse conditions and events which raise doubt about the validity of the going concern assumption used in preparing these financial statements, there can be no assurance that these actions will be successful. If the Company was unable to continue as a going concern, then substantial adjustments would be necessary to the carrying values of assets, the reported amounts of its liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

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).

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

**New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective on or before 1 January 2012:

- IAS 12 *Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*
- IFRS 1 *First-Time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
- IFRS 7 *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below:

***IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets***

The amendment clarified the determination of deferred tax on investment property measured at fair value and 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. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis.

The amendment is effective for annual periods beginning on or after 1 January 2012 and has been no effect on the Company's financial position, performance or its disclosures.

***IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters***

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Company.

***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 the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2012. The Company does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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

**Judgments**

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

**Estimates and assumptions**

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

**Asset useful lives**

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

**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.

**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.

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

***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.



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Property, plant and equipment**

Property, plant and equipment are 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 - 33%
• Motor vehicles	20 - 25%

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property, plant and equipment (Continued)**

Land is not depreciated since the useful life is considered to be indefinite.

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.

**Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

**Company as a lessor**

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.

Contingent rents are recognised as revenue in the period in which they are earned

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Borrowing costs**

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 respective countries. 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 equivalents**

Cash and cash equivalents 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.

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 profit or loss.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

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.

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Taxation (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**

**(1) 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.

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments - initial recognition and subsequent measurement (Continued)**

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

**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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Financial instruments - Initial recognition and subsequent measurement (Continued)**

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

(ii) **Financial liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as 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 profit or loss.

**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.



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**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 28.

**6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE**

Standards issued, revised or amended, but not yet effective as of 1 January 2012, 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 the standards when they become effective.

**IAS 19 Employee Benefits (Revised)**

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 amended standard will impact the net benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The management has opinion that these changes will have no impact on the financial statement as the company has no plan assets.

**IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**

As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

**IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Company's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE (Continued)

**IFRS 12 Disclosure of Interests in 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. A number of new disclosures are also required, but has no impact on the Company's financial position or performance. 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, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

**Annual Improvements May 2012**

These improvements will not have an impact on the Company, but include:

**IFRS 1 First-time Adoption of International Financial Reporting Standards**

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS. This has no impact on because the Company has not stopped IFRS.

**IAS 1 Presentation of Financial Statements**

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

7. SEGMENT REPORTING

For management purposes, the Company is organised into business units based on its products.

The majority of revenue is derived from sale of goods (as disclosed in note 8) and the Board of Directors relies primarily on revenue from sales of goods to assess performance. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the Statement of Comprehensive income. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

However, Company financing (including finance costs and finance income) and income taxes are managed on aggregate basis and are not allocated to operating segments.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	TZS '000	TZS '000
<b>8 REVENUE</b>		
Industrial gases	7,929,383	6,169,459
Medical gases	744,690	854,308
Medical equipment	842,911	234,392
Welding equipment accessories	38,105	93,929
	<u>9,555,089</u>	<u>7,352,088</u>
<b>9 COST OF SALES</b>		
<i>Direct Cost</i>		
Raw material	1,160,793	1,053,871
Direct labour (Note 11)	900,500	784,265
Depreciation	810,973	705,500
Utilities	776,241	786,675
Overhead	1,335,987	986,057
Transport	813,386	791,001
Resalable consumables and imported gases	29,634	67,855
	<u>5,827,514</u>	<u>5,175,224</u>
<b>10 OPERATING EXPENSES</b>		
Audit fees	45,000	34,396
Legal and professional fees	58,920	78,678
Gain on disposal	(53,164)	(88,676)
Exchange losses	-	17,098
Depreciation	31,171	21,768
Amortisation	16,145	-
Staff cost (Note 11)	599,360	495,211
Administration cost	2,032,840	1,538,622
	<u>2,730,272</u>	<u>2,097,097</u>
<b>11 STAFF COST</b>		
Salaries and wages	914,467	820,954
Social security contribution	177,715	105,832
Other staff costs	407,678	352,690
	<u>1,499,860</u>	<u>1,279,476</u>
Direct labour	900,500	784,265
Operating expenses	599,360	495,211
	<u>1,499,860</u>	<u>1,279,476</u>
<b>12 FINANCE COSTS</b>		
Interest expenses	232,495	339,400
	<u>232,495</u>	<u>339,400</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Building	Plant & Machinery	Cylinders	Motor vehicles	Office equipments	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>								
At 1 January 2011	94,100.00	1,128,675	7,629,060	1,046,330	1,215,489	297,694	-	11,411,348
Reclassifications	-	-	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)
<b>At 31 December 2011</b>	<b>94,100</b>	<b>1,128,675</b>	<b>7,711,185</b>	<b>732,783</b>	<b>1,039,174</b>	<b>433,209</b>	<b>850,630</b>	<b>11,989,756</b>
<b>Accumulated depreciation</b>								
At 1 January 2011	-	187,540.00	4,128,018	445,086	757,914	223,469	-	5,742,027
Reclassifications	-	-	(93,388)	-	-	93,388	-	-
Charge for the year	-	21,768	504,552	29,136	171,812	-	-	727,268
Disposal	-	(1,254.00)	(91,183)	(29,333)	(193,351)	-	-	(315,121)
<b>At 31 December 2011</b>	<b>-</b>	<b>208,054</b>	<b>4,447,999</b>	<b>444,889</b>	<b>736,375</b>	<b>316,857</b>	<b>-</b>	<b>6,154,174</b>
<b>Carrying value</b>								
<b>At 31 December 2011</b>	<b>94,100</b>	<b>920,621</b>	<b>3,263,186</b>	<b>287,894</b>	<b>302,799</b>	<b>116,352</b>	<b>850,630</b>	<b>5,835,582</b>

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. The bank 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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	TZS '000	TZS '000
<b>14 EARNINGS PER SHARE</b>		
Basic earnings 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. There was no transactions leading to dilutive effect.		
Net gain attributable to shareholders	952,100	119,968
Total number of shares	37,223,690	37,223,690
<b>Basic and diluted earning per share (TZS)</b>	<b>25.58</b>	<b>3.22</b>
<b>15 INTANGIBLES</b>		
<b>Computer software - Navision</b>		
<b>Cost</b>		
At 1 January	121,759	45,193
Additions	4,160	76,566
<b>31 December</b>	<b>125,919</b>	<b>121,759</b>
<b>Accumulated amortization</b>		
At 1 January	45,193	45,193
Charge for the year	16,145	-
<b>31 December</b>	<b>61,338</b>	<b>45,193</b>
<b>Carrying value</b>		
<b>31 December</b>	<b>64,581</b>	<b>76,566</b>
<b>16 INVENTORIES</b>		
Raw materials	282,732	104,670
Finished goods	464,084	28,071
Welding machines equipments	302,976	167,785
Medical machines equipment	21,753	18,277
	<b>1,071,544</b>	<b>318,803</b>
There was no inventories written down during the year (2011: Nil)		
Inventories recognised as expenses	-	-

**TOL GASES LIMITED**

**COMPANY INFORMATION  
31 DECEMBER 2012**

**PRINCIPAL PLACE OF BUSINESS**

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

**BANKERS**

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

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

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

ABC Bank Limited  
Barclays House, 1<sup>st</sup> 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 Buildings  
P.O. Box 79872  
Dar es Salaam  
Tanzania

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

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

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

**TOL GASES LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	TZS '000	TZS '000
<b>17 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	1,052,082	1,265,468
Staff receivables	126,457	194,994
Prepayments	449,198	1,259,610
	<u>1,627,737</u>	<u>2,720,072</u>
Provision for impairment	(412,585)	(336,318)
	<u><u>1,215,152</u></u>	<u><u>2,383,754</u></u>

Trade receivables are non-interest bearing and are generally on 30-90 days terms.

As at 31 December 2012, trade receivables amounting to TZS 412,585 (2011: 336,318 TZS) were impaired and fully provided for.

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

At 1 January	336,318	327,477
Charge for the year	94,527	8,841
Recoveries during the year	(18,260)	-
<b>At 31 December</b>	<u><u>412,585</u></u>	<u><u>336,318</u></u>

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

Up to 30 days	423,277	771,069
31 - 60 days	56,265	67,676
61 - 90 days	197,477	237,530
Over 90 days	375,063	189,193
	<u><u>1,052,082</u></u>	<u><u>1,265,468</u></u>

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

United States Dollars	289,584	383,172
	<u><u>289,584</u></u>	<u><u>383,172</u></u>



TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	TZS '000	TZS '000
<b>18 TAXATION</b>		
<b>a) Income tax expense</b>		
Current income tax charge	7,188	-
Deferred tax charge	417,847	289,984
Income tax reported in the income statement	<u>425,035</u>	<u>289,984</u>
A reconciliation between tax expense and accounting profit multiplied by Tanzania Corporate tax for the year ended 31 December 2012 and 2011 is as follows		
<b>Accounting profit before income tax</b>	<u>1,377,135</u>	<u>409,952</u>
At Tanzania's statutory income tax rate 30% (2011; 30%)	413,140	122,985
<b>Non deductible expenses for tax purpose</b>		
Other non deductible expenses	23,000	166,999
Gain on disposal of fixed assets	(11,106)	-
<b>At the effective income rate of 31% (2011:71%)</b>	<u>425,034</u>	<u>289,984</u>
<b>b) Tax recoverable/payable</b>		
Balance at 1 January	7,188	68,676
Provision for impairment	-	(68,676)
	<u>7,188</u>	<u>-</u>
<b>Balance at 31 December</b>	<u>7,188</u>	<u>-</u>
Tax assessments have been made up to 2007.		
<b>c) Deferred tax</b>		
<b>Due to the following:</b>		
Accelerated capital allowances	(1,231,048)	(1,242,671)
Tax losses	134,902	559,290
Provision	18,174	23,255
At 31 December	<u>(1,077,973)</u>	<u>(660,126)</u>
<b>Total deferred tax liability</b>	<u>(1,077,973)</u>	<u>(660,126)</u>
<b>19 SHARE CAPITAL</b>		
<b>Authorized</b>		
60 million Ordinary Shares of TZS 100 each	<u>6,000,000</u>	<u>6,000,000</u>
<b>Issued and fully paid</b>		
37,223,686 Ordinary Shares issued and fully paid	<u>3,722,369</u>	<u>3,722,369</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	TZS '000	TZS '000
<b>20 CYLINDER DEPOSITS</b>		
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:		
Balance as at January	640,060	791,308
Recognised as other income during the year	-	(324,993)
Deposits made during the year	-	173,744
Refunds made during the year	(298,584)	-
	<u>341,476</u>	<u>640,060</u>

**21 LOANS AND BORROWINGS**

**a) Commercial Bank of Africa Loan**

In year 2010 the Company was issued with the loan of TZS 110 million for Commercial Bank of Africa repayable in eight equal instalments. The Loan had interest at the rate of 17% p.a. The loan was fully repaid during the year.

At 01 January	21,812	21,812
Repayment during the year	(21,812)	-
<b>As at 31 December</b>	<u>-</u>	<u>21,812</u>
Current portion	-	<u>21,812</u>

**b) African Banking Corporation Loan**

The company acquired the a amounting to TZS 600 million from African Banking Corporation for the purpose of financing acquisition of two delivery trucks, costs of building a road side depot at Katumba - Mbeya Region, Carbon Dioxide filling hoses, standby generator and other equipment. The loan was carrying a margin of 7% per annum below the Bank's Prime Lending Rate (which at the time of agreement was 25%). This loan was fully repaid in 2011.

At 01 January	-	133,334
Loan received during the year	-	-
Repayment during the year	-	(133,334)
<b>As at 31 December</b>	<u>-</u>	<u>-</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	TZS '000	TZS '000

21 LOANS AND BORROWINGS (Continued)

c) Tanzania Investment Bank Loan

The company has two loan facilities with Tanzania Investment Bank, these are described hereunder:

**Facility 1**

The facility amount is Tzs. 1,300,000,000/= (Tanzanian Shillings one billion three hundred million only) with the purpose of financing construction works, purchase of truck tractor units, rehabilitation of decantation chambers and repair of trailers. The loan is repayable in seventy two (72) equal monthly installments. The loan was secured on 16 August 2012, the first installment is due after a grace period of twelve months counted from the first draw down date which is 6 September 2012 and expires after eighty four (84) months from the first draw down date. Interest rate is 16%, accrues daily and paid monthly in arrears.

At 01 January	-	-
Loan received during the year	919,080	-
Repayment during the year	-	-
<b>As at 31 December</b>	<b>919,080</b>	<b>-</b>
Long term portion	878,712	-
Current portion	40,368	-

**Facility 2**

The facility amount is Tzs. 4.9 billion; with the purpose of financing construction works, acquisition of plants and machineries, motor vehicles, and consultancy as well as borehole drilling and encasing. The loan was secured on 26 May 2011 and is to be repaid in seventy two (72) equal monthly installments. The first installment was due and paid after a grace period which ended on 11 February 2013; and expires after eighty four (84) months from the first draw down date which is 23 August 2011. Interest rate is 16%. accrues daily and paid monthly in arrears.

At 01 January	1,835,798	-
Loan received during the year	3,106,075	1,835,798
Repayment during the year	-	-
<b>As at 31 December</b>	<b>4,941,873</b>	<b>1,835,798</b>
Long term portion	4,130,828	1,835,798
Current portion	811,045	-

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	TZS '000	TZS '000
<b>21 LOANS AND BORROWINGS (Continued)</b>		
<b>d) CRDB Bank Plc Loan</b>		
The company secured a loan from CRDB Bank Plc on 21 October 2010 amounting to TZS 644 million repayable in thirty six (36) monthly installments at the interest rate of 17% per annum with no grace period. The loan was used to settle TIB loan other than the two facilities described separately on Note 20 of these financial statements. Interest is charged on outstanding balance daily and the loan expires on 31 October 2013.		
At 01 January	448,006	630,163
Loan received during the year	-	-
Repayment during the year	(215,655)	(182,157)
<b>As at 31 December</b>	<b>232,351</b>	<b>448,006</b>
Long term portion	-	172,481
Current portion	232,351	275,525
<b>The loan is secured by the following collateral:</b>		
(i) Loan mortgage over the Company's industrial landed property - Plot No. 41 Nyakato Industrial Area in Mwanza city;		
(ii) Debenture over machinery and equipments installed in landed property - Plot No. 41 Nyakato Industrial Area in Mwanza city;		
(iii) Legal mortgage over Company's industrial landed property - Plot No. 4 Pugu Industrial Area in Dar es Salaam City		
(iv) Debenture over machinery and equipments installed in landed property - Plot No. 4 Pugu Industrial Area in Dar es Salaam City		
<b>Total long term loan</b>	<b>5,009,540</b>	<b>2,008,279</b>
<b>Total current portion loan</b>	<b>1,083,764</b>	<b>297,336</b>
<b>22 TRADE AND OTHER PAYABLES</b>		
Trade payables	894,719	669,467
Other payables	777,000	564,896
Statutory deduction (PAYE & NSSF)	594,771	604,176
Accrual expenses	820,190	844,598
	<b>3,086,679</b>	<b>2,683,137</b>
<b>Terms and conditions of the above financial liabilities:</b>		
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.		
<b>Trade and other payables comprise of the following amounts denominated in foreign currency:</b>		
United States Dollars	69,108	59,108
Sterling Pound (GBP)	11,143	17,143
	<b>80,251</b>	<b>76,251</b>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

	<u>2012</u>	<u>2011</u>
	TZS '000	TZS '000
<b>23 CASH AND CASH EQUIVALENTS</b>		
Cash in hand	29,777	144,701
Cash at Bank	<u>184,952</u>	<u>17,138</u>
	<u>214,729</u>	<u>161,839</u>

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprise the following at 31 December:

Cash at banks and on hand	214,729	161,839
Bank overdrafts (Note 24)	<u>(958,316)</u>	<u>(774,686)</u>
	<u>(743,587)</u>	<u>(612,847)</u>

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

United States Dollars	<u>161,043</u>	<u>7,600</u>
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**24 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 following amounts were outstanding	<u>958,316</u>	<u>774,686</u>
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**25 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 contribute 5% and employer 15%.

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

NSSF and PPF	<u>120,268</u>	<u>108,848</u>
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**26 RELATED PARTY TRANSACTIONS**

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

<b>Key management remuneration</b>		
Short term benefits	720,585	710,585
Other long term benefits	124,567	155,055
Directors remuneration	<u>10,250</u>	<u>14,500</u>
	<u>855,402</u>	<u>880,140</u>

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's principal financial instruments comprise bank loans and overdrafts and trade payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks which are summarised below:

**a) Liquidity risk**

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available and thus the Company being unable to fulfil its existing and future cash flow obligations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company policy is that not more than 70% of borrowings should mature in the next 12 -month period (2011:70%). The Company assessed the concentration of risk with respect to financing its debt and concluded it to be low.

**Year ended 31 December 2012**

	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	958,316		1,083,764	5,009,540	7,051,620
Trade and other payables	1,826,068	844,177	594,771	-	3,265,016
Cylinder deposits	-	-	341,476	-	341,476
	<u>2,784,384</u>	<u>844,177</u>	<u>2,020,011</u>	<u>5,009,540</u>	<u>10,658,112</u>

**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
	<u>2,153,162</u>	<u>440,163</u>	<u>2,126,886</u>	<u>3,763,290</u>	<u>8,483,501</u>

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**27. 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 and equity (TZS'000)
2012	+10%	14,345
	-10%	(14,345)
2011	+10%	(9,239)
	-10%	9,239

**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 2012 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 2012	+1%	-13,720
	-1%	+13,270
Net effect based on statement of financial position as at 31 December 2011	+1%	-14,305
	-1%	14,305

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012

**27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)**

**d) Credit risk management**

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

The Company deposits short term cash surpluses only with major banks of high credit standing.

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

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

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

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

The analysis of trade and other receivables is as per note 17.

**28. LEASE COMMITMENTS**

The company had no lease commitments at year end.

**29. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**29. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Financial assets	Carrying value		Fair value	
	2012	2011	2012	2011
	TZS'000	TZS'000	TZS'000	TZS'000
Trade receivables and other receivables	1,215,152	2,383,754	1,215,152	2,383,754
Cash and bank balances	214,729	161,839	214,729	161,839
	<b>1,429,881</b>	<b>2,545,593</b>	<b>1,429,881</b>	<b>2,545,593</b>
Financial liabilities				
Interest bearing loans	6,093,304	2,305,616	6,093,304	2,980,473
Cylinder deposits	341,476	640,059	341,476	640,059
Trade and other payables	3,265,016	2,683,137	3,228,698	2,683,137
Bank overdrafts	958,316	774,686	958,316	774,686
	<b>10,658,112</b>	<b>6,403,498</b>	<b>10,658,112</b>	<b>6,403,498</b>

**30. EVENTS AFTER THE REPORTING DATE**

Included in the working in progress is the cost relating to construction of carbon dioxide (CO<sub>2</sub>) plant in Ikama - Mbeya. This plant was commissioned and started production effectively from March 2013. The production capacity of this plant is 2 metric tonnes of CO<sub>2</sub> per hour, which is almost double of the existed two plants in Kyejo - Mbeya which is 0.8 metric tonnes of CO<sub>2</sub> per hour.

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

**31. 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 2012 and 31 December 2011.

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;

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2012**

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

At 31 December 2012, the net debt ratio was 80.74% (2011: 76.58%)

	2012	2011
	TZS'000	TZS'000
<b>Gross debt</b>		
Interest bearing loans and borrowings	6,093,304	2,305,616
Bank overdrafts	958,316	774,686
Trade and other payables	3,265,016	2,683,137
Cash and bank balance	(214,729)	(161,839)
Net debts	<u>10,101,905</u>	<u>5,601,600</u>
Equity	<u>2,409,992</u>	<u>1,712,922</u>
Capital and debt	<u>12,511,897</u>	<u>7,314,522</u>
Net debt ratio	80.74%	76.58%

**32. CONTINGENT LIABILITIES**

There are no material contingencies as at 31 December 2012, which may possibly result in a loss or gain to the company or in commitments which it cannot meet, and for which no provision is considered necessary or only partial provision has been made.

**33. CAPITAL COMMITMENTS**

	2012	2011
	TZS '000	TZS '000
As at the reporting date, the Company had the following capital commitments:		
Approved but not contracted for	NIL	3,000,000
Approved and contracted for	NIL	NIL

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