TOL GASES LIMITED

ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2017

Building a better
working world

TOL GASES LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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TOL GASES LIMITED

COMPANY INFORMATION
31 DECEMBER 2017

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
Tanzania

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

Equity Bank Tanzania Limited
P. O. Box 110183
Dar es Salaam
Tanzania

UBA BANK
P.O Box 80514
Dar es Salaam
Tanzania

Ecobank Tanzania Limited
P.O Box 20500
Dar es Salaam
Tanzania

COMPANY AUDITOR

Ernst & Young
Certified Public Accountants
4th Floor, Tan House Tower
Plot No. 34/1 Ursino South
New Bagamoyo Road
P.O. Box 2475
Dar es Salaam
Tanzania

COMPANY LAWYERS

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

RM Attorneys
4th Floor Raha Towers
Bibi Titi/ Maktaba Streets
P. O. Box 12278
Dar es Salaam
Tanzania

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2017

1. INTRODUCTION

The Directors present their report and the audited financial statements for the financial year ended 31 December 2017 which disclose the state of affairs of TOL Gases Limited ("the Company"). The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors as indicated on the statement of financial position.

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 ACTIVITY

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 2017, unless otherwise stated, are listed below:

Name	Position	Age (years)	Nationality	Appointment
Eng. Harold Temu	Chairman	68	Tanzanian	28 April 2014
Mr. Michael Shirima	Director	74	Tanzanian	28 April 2014
Mr. Godfrey Urasa	Director	75	Tanzanian	28 April 2014
Mr. Simon Mponji	Director	74	Tanzanian	28 April 2014
Mr. Justin Massawe	Director	37	Tanzanian	28 April 2014
Mr. Thomas Samkyi	Director	61	Tanzanian	28 April 2014
Mr Leonard K.Chacha	Director	49	Tanzanian	27 April 2015

7. BOARD COMMITEES

AUDIT COMMITTEE

Mr. Godfrey Urasa	Chairman	75	Tanzanian
Mr. Simon Mponji	Member	74	Tanzanian
Mr Leonard K.Chacha	Director	49	Tanzanian

INVESTMENT COMMITTEE

Mr. Thomas Samkyi	Chairman	61	Tanzanian
Mr. Michael Shirima	Member	74	Tanzanian
Mr. Justin Massawe	Member	37	Tanzanian

All Directors were non-executive. The Company secretary during the year ended 31 December 2017 was David Mchangilla.

8. DIRECTORS' REMUNERATION

The Directors are paid an allowance for each meeting they attend. Allowances paid during the year are disclosed in Note 26. Additionally, seven of the directors, Mr. Michael Shirima, Eng. Harold Temu, Mr. Godfrey Urasa, Mr. Simon Mponji, Mr. Thomas Samkyi, Leonard Kitoka Chacha and Justin Massawe, hold shares in the Company as shown in the table below.

9. SHAREHOLDING

The total number of issued shares at the end of the year 2017 was 57,560,030 (2016: 57,088,088).

Shareholder	Number of shares	%
M/S Erncon Holding Limited	8,017,389	13.9
Ernest Saronga Massawe	6,412,594	11.2
Goodison Fourthy Seven Limited	5,269,647	9.2
Treasury Registrar	3,570,457	6.2
Anorld B.S. Kilewo	3,087,177	5.4
Godfrey Urasa	2,618,030	4.6
Harold Temu	2,500,000	4.3
Michael Shirima	1,680,405	2.9
Lake Chala Safari Lodge	1,430,067	2.5
William M. Lyakurwa	1,099,608	1.9
Joseph C. N. Machange	1,029,584	1.8
Sayed H. Kadri & others	1,015,509	1.8
Daniel M. Warungu	930,592	1.6
Justine Massawe	400,100	0.7
Simon Mponji	44,851	0.1
Thomas Samkyi	14,852	0.03
Leonard K Chacha	200	0.0003
Others	18,438,968	32
TOTAL	**57,560,030**	**100.00**

10. CAPITAL STRUCTURE

The Company's 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

57,560,030ordinary shares of TZS 100 each (2016: 57,088,088 ordinary shares).

11. 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 committees which deal with Audit, Finance, Investment, Planning and Administration since 2014 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 meetings of the 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.

11. CORPORATE GOVERNANCE (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 2017 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 Companies Act 2002 and other laws of Tanzania.

11. CORPORATE GOVERNANCE (Continued)

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

12. 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
- Sales, Marketing and Business Development
- Human Resources and Administration

The key management personnel who served the Company during the year ended 31 December 2017 were:

Name	Position
Mr. Daniel Warungu	Managing Director
Mr. John Mbiri	Director of Production and Engineering
Mrs. Juliana Mrikaria	Director of Human Resource and Administration
Mr. Evarist Tilafu	Finance Director
Mr. Daudi Mlwale	Director of Sales, Marketing and Business Development

13. FUTURE DEVELOPMENT PLANS

Having successfully completed the turnaround phase, the Company has developed a post turnaround strategy which aims at maximising shareholders wealth by shifting focus into implementing strategies aimed at making the current operations more efficient thereby saving costs while reinforcing the market position the Company has taken, as a reliable supplier of safe and high quality products at competitive prices.

As a result of a turnaround strategy the Company is now profit making however, more remained to be done to repair the balance sheet position. Equally, there is a need not only to maintain profitability but also to increase the amount of profits in absolute terms. To achieve this, the Company will focus on other profit maximisation strategies such as cost management, price discrimination, niches as well cost cutting. The Company will also put emphasis on special gases and welding products to boost both sales and profit.

Future outlook

The Company has made significant strides towards recovering its regional market share in carbon dioxide market following capacity enhancement and renewal of distribution fleet. Besides domestic market the Company has been supporting customers in other SADC countries of Malawi and Zambia and DRC. While competition is expected to increase in these markets following other new entrants, TOL is well positioned to capitalise also on the expected growth in the beverage sector in the region. In conclusion, TOL's future remains bright and promising.

14. DIVIDEND

The Directors do not recommend any dividend in respect of the year ended 31 December 2017 (2016: Nil).

15. PERFORMANCE FOR THE YEAR

The detailed financial performance of the Company during the year is set out on page 17 showing a profit before tax of TZS 2,169 million (2016: TZS 3,107 million), a decrease of 30% from prior year, while the sales decline was 7% from the prior year.

16. SOLVENCY

The Board of Directors confirms that International Financial reporting standards (IFRS) 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 21 to 35, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

18. INVESTMENTS

The Company made investments in property, plant and equipment to the value of TZS 2.690 billion during the year ended 31 December 2017 (2016: TZS 4.732 billion).

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 staff's SACCOS by being guarantor for the loan provided by NSSF and PPF.

19. EMPLOYEES' WELFARE (Continued)

Retirement Benefits

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

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

20. GENDER PARITY

The Company is 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, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2017 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 does not make political donations.

23. ENVIRONMENTAL CONTROL PROGRAMME

The Company has an environment policy and takes appropriate pollution control measures to comply 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). The Company has been certified with ISO 22000.

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 two class rooms each at Isebe primary school in Rungwe district and Kanyelele primary school at Busekelo district.

26. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Tanzanian Companies Act, 2002 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure the Company keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international financial reporting standards (IFRS) 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 2018 will be tabled at the Annual General Meeting.

By order of the Board

Name: HAROLD TEMU Title: CHAIRMAN Signature: ____________

Name: LEONARD CHACHA Title: DIRECTOR Signature: ____________

Date: 14th May 2018

TOL GASES LIMITED

DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2017

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) ACT No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with the statement of Declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing the financial statement of the Company showing true and fair view position of the Company in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Tanzania. Full legal responsibility for financial statements rests with the Board of Directors as indicated in the statement of Directors' responsibility.

I EVARIST MARCEL TILAFU being the Head of Finance for TOL Gases Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2017, have been prepared in compliance with the International Financial Reporting Standards and the Companies Act of Tanzania.

I thus confirm that the financial statements give true and fair view position of TOL Gases Limited in accordance with applicable standards and statutory requirements for the year ended 31 December 2017and that have been prepared based on the properly maintained financial records.

Signed by: EVARIST M. TILAFU

Title: Head of Finance

NBAA Membership No. GA4015

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

TOL GASES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of TOL Gases Limited ('the Company') set out on pages 17 to 51, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TOL Gases Limited as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Independent International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT (Continued)

TOL GASES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Key audit matter	How our audit addressed the key audit matter
Accounting for tax positions	
Tax positions were significant to our audit because the assessment process involves judgement. We focused on compliance with tax laws and regulations because breaches of compliance could have a significant effect on the results and financial position of the Company. Tax focus areas included compliance with changes in tax laws effective during the year and the financial reporting implication of open tax assessments. Assessing the likely outcome and quantification of tax exposures was one of the judgmental areas our audit was focused on. We also considered the disclosures on taxation in note 21 to the financial statements to be important to the users' understanding of the financial statements.	Our audit procedures included: • Understanding the Company's processes for recording and assessing of tax provisions and contingent liabilities. • Determining the completeness and reasonableness of the amounts recognized as tax liabilities and contingencies, including the assessment of the matters in the correspondence with tax authorities and reports of the Company's external tax consultant, and the evaluation of the related tax exposures. • Involving our team tax specialists to analyze the tax positions and to evaluate the assumptions used to determine tax positions. • Assessing relevant historical and recent judgements passed by the tax authority in considering any precedent, as well as assessing legal opinions from the Company's external lawyers. • Assessing the adequacy of the Company's disclosure in Note 21 in respect of income tax.

Other Information included in the Company's 2017 Directors' Report

The other information comprises the Directors' Report as required by the Companies Act, 2002 of Tanzania and declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (Continued)
TOL GASES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania, 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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INDEPENDENT AUDITOR'S REPORT (Continued)
TOL GASES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT (Continued)
TOL GASES LIMITED

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

As required by the Companies Act 12, 2002 of Tanzania, we report to you, based on our audit, that:

- 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;
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and,
- The Company's statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

Ernst & Young

Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure Msusa **(Partner)**

Date: 14/05/ **2018**

TOL GASES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 TZS '000	2016 TZS '000
Revenue	8	15,027,871	16,115,891
Cost of sales	9	(8,142,051)	(9,234,832)
Gross profit		**6,885,820**	**6,881,059**
Other income	10	193,427	962,930
Operating expenses	11	(4,006,775)	(3,838,063)
Operating profit		**3,072,472**	**4,005,926**
Finance costs		(903,452)	(897,943)
Profit before tax		**2,169,020**	**3,107,983**
Income tax credit / (expense)	21	**1,583**	**(346,909)**
Profit for the year		**2,170,603**	**2,761,074**
Other comprehensive income		-	-
Total comprehensive income		**2,170,603**	**2,761,074**
Basic/Diluted earnings per share (TZS)	14	37.71	48.37

TOL GASES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	2017 TZS '000	2016 TZS '000
ASSETS			
Non-current assets			
Property, plant and equipment	13	22,103,128	21,546,019
Intangible assets	15	2,152	17,397
		22,105,280	**21,563,416**
Current assets			
Inventories	16	4,373,078	3,606,153
Trade and other receivables	17	4,319,220	3,624,010
Tax recoverable	21	157,479	-
Cash and bank balances	18	86,556	326,051
		8,936,333	**7,556,214**
TOTAL ASSETS		**31,041,613**	**29,119,630**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	5,756,030	5,708,810
Share premium		6,756,615	6,639,105
Retained earnings		5,405,889	3,235,286
		17,918,534	**15,583,201**
Non-current liabilities			
Long term borrowings	20	4,680,119	2,826,107
Deferred tax liability	21	1,159,327	959,887
		5,839,446	**3,785,994**
Current liabilities			
Trade and other payables	22	3,385,460	4,748,294
Tax payable	21	-	291,189
Bank overdraft	23	2,433,920	2,277,165
Cylinder deposits	24	657,272	868,001
Current portion of loans	20	806,981	1,565,786
		7,283,633	**9,750,435**
TOTAL EQUITY AND LIABILITIES		**31,041,613**	**29,119,630**

These financial statements were approved by the board of directors for issue on 14th May 2018 and were signed on its behalf by:

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

Name: LEONARD CHACHA **Title:** DIRECTOR **Signature:**

TOL GASES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital TZS '000	Share premium TZS '000	Retained earnings TZS '000	Total TZS '000
At 1 January 2016	5,583,552	6,263,338	474,210	12,321,100
Profit for the year	-	-	2,761,076	2,761,076
Other comprehensive income	-	-	-	-
Employees' shares issued	125,258	375,767	-	501,025
At 31 December 2016	**5,708,810**	**6,639,105**	**3,235,286**	**15,583,201**
At 1 January 2017	5,708,810	6,639,105	3,235,286	15,583,201
Profit for the year			2,170,603	2,170,603
Other comprehensive income	-	-	-	-
Employees' shares issued	47,220	117,510	-	164,730
At 31 December 2017	**5,756,030**	**6,764,615**	**5,405,889**	**17,918,534**

TOL GASES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 TZS '000	2016 TZS '000
OPERATING ACTIVITIES:			
Profit before tax		2,169,020	3,107,983
Adjustment for non-cash items:			
Depreciation and amortisation	13 &15	2,148,623	1,952,055
Interest expense		903,452	897,943
Gain on disposal of fixed assets	10	-	(4,237)
Unrealised exchange gain	10	(38,600)	(121,656)
		5,182,495	**5,832,088**
Movements in working capital			
Increase in inventories		(766,925)	(985,432)
(Increase)/Decrease in trade and other receivables		(695,211)	928,222
(Decrease)/Increase in cylinder deposits		(210,730)	78,101
Decrease in trade and other payables		(1,362,658)	(1,631,055)
		(3,035,524)	**(1,610,164)**
Cash generated from operations		**2,146,971**	**4,221,924**
Corporate tax paid		(247,645)	-
Net cash flows from operating activities		**1,899,326**	**4,221,924**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	13	(2,690,487)	(4,732,980)
Purchase of intangibles	15	-	(1,176)
Proceeds from sale of property, plant and equipment		-	66,254
Net cash used in investing activities		**(2,690,487)**	**(4,667,902)**
FINANCING ACTIVITIES:			
Repayment of bank loan	20	(4,627,793)	(1,101,570)
Loan received from bank	20	5,723,000	2,321,084
Proceeds from issue of employees' shares		164,557	501,025
Interest paid		(903,452)	(897,943)
Net cash flows from financing activities		**356,312**	**822,596**
Net (decrease)/increase in cash and cash equivalents		(435,049)	376,617
Foreign exchange gain	10	38,600	121,656
Cash and cash equivalents at 1 January		(1,951,115)	(2,449,561)
Cash and cash equivalents at 31 December	18	**(2,347,364)**	**(1,951,115)**

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
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 continue in operation for at least one year from the date of the audit report and will be able to realize its assets and discharge its liabilities 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) as issued by the International Accounting Standards Board (IASB).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(i) New and amended standards and interpretations

The accounting policies adopted by the Company are consistent with those used in the previous period. The new and amended standards and interpretations that became effective on and after 1st January 2017 did not have significant impact on the accounting policies, financial position or performance of the Company.

The nature of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). Reference is made to the statement of cash flows where there is a section showing the adjustments of the effect of forex on cash and cash equivalents.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments:

IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Based on analysis performed, the effects of the new classification, measurement and impairment requirements under IFRS 9 will not have a significant impact.

IFRS 16 Leases

The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The key features of the new standard are:

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.
- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The new standard's transition provisions permit certain reliefs. The new standard requires lessees and lessors to make more extensive disclosures than under IAS 17. The impact of the new standard is being assessed by the Company.

IFRS 15 Revenue from contracts with customers

The IASB has issued a new standard for the recognition of revenue. The standard is effective on 1 January 2018. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures. However, the Company has no significant revenue generating contracts with customers that may be affected by the requirements of IFRS 15.

Other standards and interpretations that are yet to be effective:

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (Effective 1 January 2018)
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (Effective 1 January 2019): The Company currently has no uncertain tax positions.
- Amendments to IFRS 9 – Prepayment features with negative compensation
- AIP IFRS 11 Joint Arrangements – Previously held interest in a joint operation (Effective 1 January 2019)
- Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures (Effective 1 January 2019)
- AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity (Effective for annual periods beginning on or after 1 January 2019.)

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

Other standards and interpretations that are yet to be effective (continued):

- AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalization (Effective for annual periods beginning on or after 1 January 2019.)
- IFRS 17 – Insurance contracts (Effective 1 January 2021)
- AIP IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by -investment choice. (Effective for annual periods beginning on or after 1 Jan 2018).
- Amendments to IAS 40-Investment Property: Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018.)
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters. (Effective for annual periods beginning on or after 1 Jan 2018).
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (Effective for annual periods beginning on or after 1 January 2018).
- AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation. (Effective for annual periods beginning on or after 1 Jan 2019).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4
- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, 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. Below are the signficant areas of assumptions and judgements associated with various items recognized 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:

Useful lives of property, plant and equipment
The useful lives of items of property, plant and equipment are reviewed annually and any need for change is effected as per accounting standards.

Residual values
The residual value of an item of property, plant and equipment is estimated at initial recognition and review at each reporting date.

Further disclosures related to Property, Plant and Equipment have been made in Note 13 to the financial statements.

Impairment of financial assets
The Company assesses whether there are any indicators of impairment for all financial assets at each reporting date. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred '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 debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Fair value of financial instruments
When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Fair value of financial instruments (continued)

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. Further disclosures have been made in Note 27 to the financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the year of operation.

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 and similar income and expenses

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate (EIR), which is the rate that exactly discounts 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 financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as 'other operating 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

• Buildings	2%
• Plant and machinery	5 -10%
• Cylinders	4%
• Office equipment	10 -33%
• Motor vehicles	20 - 25%

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.

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 condition are accounted for as follows:

Raw materials:
Cost is determined by weighted average cost basis.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 employees are either members of the National Social Security Fund ("NSSF") or Parastatal Pension Fund (PPF), which are defined contribution plans. 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.

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 of disposal 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 groups 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 of disposal, 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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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.

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, or exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

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 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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.

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.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

Value Added Tax

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

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

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

Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets - Initial recognition and measurement (Continued)

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. These assets are classified as loans and receivables and carried at amortised cost.

Financial assets – Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

Impairment of 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 group 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).

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets carried at amortised cost (continued)

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 profit or loss.

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 profit or loss and other comprehensive income.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as loans and borrowings or at fair value through profit and loss. 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 profit or loss and other 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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Financial liabilities (Continued)

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.

(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 30.

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised

The useful life of the Company's software is 3 years.

Cylinder deposits

Compressed gases must be contained in the Company's cylinders which are specifically made to accommodate the required pressure of 200 bars depending on the different types of gases. Cylinders are treated as non-current assets which are rented to the customers who pay a refundable deposit equivalent to the prevailing market value of each cylinder. Amount paid by a customer as security deposit for the cylinders is refundable upon return of the cylinder.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the spot rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the spot rate of exchange ruling at the reporting date. All differences arising from settlement and translation of monetary items are recognised in other income in 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 recognition. 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.

7. SEGMENT REPORTING

The Company's revenue is derived from sale of goods (as disclosed in note 8) and the Board of Directors relies primarily on revenue from sale 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 profit or loss and other 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.

The entity-wide information (required by IFRS 8 Operating Segments) relating to products and services, geographic areas and significant customers is not available and hence is not reviewed by the CODM.

The cost of obtaining such information is considered to be excessive.

	2017 TZS '000	2016 TZS '000
8. REVENUE		
Industrial gases	14,559,685	15,657,362
Accessories	468,186	458,529
	15,027,871	**16,115,891**
9. COST OF SALES		
Direct Costs		
Raw materials	897,428	1,129,068
Direct labour (Note 12)	1,091,378	1,011,426
Transport costs	1,547,501	1,540,119
Depreciation on assets involved in the production	1,999,775	1,792,570
Overheads	1,172,817	2,003,643
Other allocated indirect costs	1,433,152	1,758,006
	8,142,051	**9,234,832**

Depreciation on assets used in production consists of TZS 1,999 million (2016: TZS 1,793 million) relates to the assets which are directly associated with the production process.

Transport costs relates to the costs incurred for distribution of products to customers and other related costs.

	2017 TZS '000	2016 TZS '000
10. OTHER INCOME		
Installation and fixing of plants	122,262	669,194
Realized foreign exchange gain	32,565	167,843
Profit on sale of property, plant and equipment	-	4,237
Unrealized foreign exchange gains	38,600	121,656
	193,427	**962,930**
11. OPERATING EXPENSES		
Audit fees	55,750	54,575
Realized forex losses	83,565	337,401
Legal and professional fees	100,411	232,233
Depreciation	148,846	159,485
Amortisation	15,245	25,263
Staff costs (Note 12)	2,361,591	902,635
Administration costs	1,21,367	2,126,471
	4,006,775	**3,838,063**

The depreciation cost of TZS 149 million (2016: TZS 159 million) is part of the total depreciation cost of TZS 2,133 Million (2016: TZS 1,926 Million) disclosed in note 13.

	2017	2016
	TZS '000	TZS '000
12. STAFF COSTS		
Salaries and wages	2,233,133	1,871,587
Social security contribution	272,720	236,254
Medical expenses	244,397	173,458
Gratuity	180,314	247,777
Other staff costs	522,405	412,850
	3,452,969	**2,941,926**
Direct labour	1,091,378	1,011,427
Operating expenses	2,361,591	1,930,499
	3,452,969	**2,941,926**

Other staff costs includes various costs related to staff such as statutory deductions (employer's contribution), overtime allowances, staff food, uniforms and other related costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant & machinery	Cylinders	Motor vehicles	Office equipment	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost								
At 1 January 2017	734,101	2,422,455	19,659,180	3,470,454	5,881,226	840,342	1,008,561	34,016,319
Additions	-	46,722	1,132,597	440,022	771,139	29,607	270,399	2,690,487
Transfer	3,000	-	-	-	-	-	(3,000)	-
At 31 December 2017	**737,101**	**2,469,177**	**20,791,777**	**3,910,476**	**6,652,365**	**869,949**	**1,275,960**	**36,706,806**
Accumulated depreciation								
At 1 January 2017	-	382,056	8,209,479	875,904	2,421,182	581,679	-	12,470,300
Charge for the year	-	46,946	974,114	132,260	912,141	67,916	-	2,133,378
At 31 December 2017	**-**	**429,002**	**9,183,593**	**1,008,164**	**3,333,324**	**649,595**	**-**	**14,603,678**
Net carrying amount								
At 31 December 2017	**737,101**	**2,040,175**	**11,608,184**	**2,902,312**	**3,319,042**	**220,353**	**1,275,960**	**22,103,128**

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 are held as security for the loans granted by Equity Bank Tanzania Limited. The bank also holds legal mortgage over the Company's property with Title No. 937 MZLR (LO No. 67760) Nyakato area and Title No. 186068/25 (LO No. 282480) Dar es Salaam.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Plant & machinery	Cylinders	Motor vehicles	Office equipment	Work in progress	Total
Cost								
At 1 January 2016	94,100	2,414,353	17,297,874	3,400,362	3,485,932	778,168	1,995,318	29,466,107
Additions		8,102	240,531	70,092	1,674,096	63,674	2,676,486	4,732,980
Transfer	640,001	-	2,120,775	-	902,466	-	(3,663,242)	-
Disposal	-	-	-	-	(181,268)	(1,500)	-	(182,768)
At 31 December 2016	**734,101**	**2,422,455**	**19,659,180**	**3,470,454**	**5,881,226**	**840,342**	**1,008,561**	**34,016,319**
Accumulated depreciation								
At 1 January 2016	-	335,399	7,159,168	743,758	1,907,547	518,213	-	10,664,085
Charge for the year	-	46,657	1,050,311	132,146	634,212	63,466	-	1,926,792
Disposal	-	-	-	-	(120,577)	-	-	(120,577)
At 31 December 2016	-	**382,056**	**8,209,479**	**875,904**	**2,421,182**	**581,679**	-	**12,470,300**
Net carrying amount								
At 31 December 2016	**734,101**	**2,040,399**	**11,449,701**	**2,594,550**	**3,460,044**	**258,663**	**1,008,561**	**21,546,019**

In 2016, the plant and machinery installed on industrial property Plot No. 41 at Nyakato Industrial Area in Mwanza City and Plot No. 4 at Pugu Industrial Area in Dar es Salaam are held as security for the loans granted by Tanzania Investment Bank which has been transferred to Equity Bank Tanzania Limited. The Bank also hold legal mortgage over Company's property with Title No. 937 MZLR (LO No. 67760) at Nyakato Are and Title No. 186068/25 (LO No. 282480) in Dar es Salaam.

14. EARNINGS PER SHARE

	2017	2016
Net profit attributable to shareholders (TZS '000)	2,170,603	2,761,074
Weighted average number of ordinary shares	57,560,294	57,088,088
Basic earnings per share (TZS)	**37.71**	**48.37**
Basic and diluted earnings per share (TZS)	**37.71**	**48.37**

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 were no transactions leading to dilutive effect.

15. INTANGIBLE ASSETS

	2017 TZS '000	2016 TZS '000
Cost		
At 1 January	171,802	170,626
Additions	-	1,176
31 December	**171,802**	**171,802**
Accumulated amortization		
At 1 January	154,405	129,142
Charge for the year	15,245	25,263
31 December	**169,650**	**154,405**
Net carrying amount		
31 December	**2,152**	**17,397**

16. INVENTORIES

Raw materials	1,293,890	1,592,498
Finished goods	1,736,894	954,471
Welding machines equipment	1,136,358	764,217
Medical machines equipment	205,937	294,967
	4,373,078	**3,606,153**

Raw material inventory of TZS 897 Million (2016: TZS 1,129 Million) was used and therefore included within cost of sales from the inventories.

	2017 TZS'000	2017 TZS'000
17. TRADE AND OTHER RECEIVABLES		
Trade receivables	3,261,494	3,151,297
Staff receivables	103,262	96,711
Advance to suppliers	411,865	-
Prepayments	922,984	756,387
	4,699,605	4,004,395
Provision for impairment of trade receivables	(380,385)	(380,385)
	4,319,220	**3,624,010**

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

As at 31 December 2017 trade receivables amounting to TZS 380,385,000 (2016: TZS 380,385,000) were impaired and fully provided for.

Movement in the provision for impairment of trade receivables:

At 1 January	380,385	380,385
Charge for the year	-	-
Recoveries during the year	-	-
At 31 December	**380,385**	**380,385**

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

Up to 30 days	1,791,876	1,903,430
31 - 60 days	447,412	305,510
61 - 90 days	2,057	69,914
Over 90 days	1,020,149	872,443
	3,261,494	**3,151,297**

Trade receivables comprise the following amounts denominated in foreign currency - (USD)

Amount in TZS	677,282	419,879

18. CASH AND CASH EQUIVALENTS

	2017 TZS'000	2016 TZS'000
Cash in hand	5,925	20,478
Cash at bank	80,631	305,573
	86,556	**326,051**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2017 TZS'000	2016 TZS'000
Cash at bank and on hand	86,556	326,051
Bank overdraft (Note 23)	(2,433,920)	(2,277,165)
	(2,347,364)	(1,951,114)

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

	2017 TZS'000	2016 TZS'000
(EURO) Amount in TZS	**35,201**	-
(USD) Amount in TZS	**20,822**	**212,212**

19. SHARE CAPITAL

Authorized

	2017 TZS'000	2016 TZS'000
60 million Ordinary Shares of TZS 100 each	**6,000,000**	**6,000,000**
57,560,030 (2016: 57,088,088) Ordinary Shares issued and fully paid	**5,756,030**	**5,708,810**

The authorised and outstanding shares at the reporting period was as follows:

	2017	2016
Opening	57,088,088	55,835,522
Issued during the year	471,942	1,252,566
Closing	**57,560,030**	**57,088,088**

20. LOANS AND BORROWINGS

Facility

During the year, the Company obtained a facility amount of TZS 5.7 billion from Equity Bank Tanzania Limited; with the purpose of paying off the Tanzania Investment Bank loan facility amounting to TZS 4.4 billion and TZS 1.3 billion for financing improvements to the existing operations. The loan was secured on 15th May 2017 and is to be repaid in sixty (60) equal monthly instalments. The first instalment was due and paid after a grace period which ended on 01 September 2017. Interest rate is 19% p.a., accrues daily and is paid monthly in arrears:

	2017	2016
At 01 January	4,391,893	3,172,379
Loan received during the year	5,723,000	2,321,084
Repayment during the year	(4,627,793)	(1,101,570)
At 31 December	5,487,100	4,391,893
Long term portion	4,680,119	2,826,107
Current portion	806,981	1,565,786
Total loan as at 31 December	**5,487,100**	**4,391,893**

20. LOANS AND BORROWINGS (Continued)

The mortgages for the loans includes:
(i) Loan mortgage over the Company's industrial property - Plot No. 41 Nyakato Industrial Area in Mwanza city;
(ii) Debenture over machinery and equipment installed in Plot No. 41 Nyakato Industrial Area in Mwanza city;
(iii) Legal mortgage over the Company's industrial property - Plot No. 4 Pugu Industrial Area in Dar es Salaam City
(iv) Debenture over machinery and equipment installed in Plot No. 4 Pugu Industrial Area in Dar es Salaam City.

	2017 TZS'000	2016 TZS'000
The interest expense incurred with the respect of the loans have been presented below:		
Interest expense	903,452	897,943

21. TAXATION

a) Income tax (credit) / expense

Current income tax charge	52,879	291,189
Deferred tax charge (Note 21(c))	199,440	55,719
Adjustments in respect of current income tax of previous year	(253,902)	-
Income tax (credit)/ charge reported in profit or loss	**(1,583)**	**346,908**

A reconciliation between tax expense and accounting profit multiplied by Tanzania corporate tax rate for the year ended 31 December 2017 and 2016 is as follows:

Accounting profit before income tax	**2,169,020**	**3,107,983**
At Tanzania's statutory income tax rate 30% (2016: 30%)	(650,706)	(932,395)
Adjustments for tax purpose:		
Disallowable expenses /(income)	398,387	(27,201)
Penalties charge	-	(43,544)
Adjustments in respect of current income tax of previous year	253,902	656,231
	1,583	**(346,909)**

b) Tax (recoverable)/payable

Balance at 1 January	291,189	-
Tax charge for the year	52,879	291,189
Corporate tax paid during the year	(247,645)	-
Adjustment in respect of current income tax of previous years'	(253,886)	-
	(157,463)	**291,189**

21. TAXATION (Continued)

c) Deferred income tax	2017 TZS'000	2016 TZS'000
Deferred tax relates to the following :-		
Accelerated capital allowances	3,825,823	3,073,731
Unrealised exchange gain	38,600	121,656
Decrease of provision (Inventory)	-	4,237
	3,864,423	**3,199,624**
Deferred tax liability thereon at 30%	1,159,327	959,887
Less:		
Opening deferred tax	959,887	904,168
Deferred tax expense	**199,440**	**55,719**

The normal procedure for agreeing the final income tax liability in Tanzania involves the Company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing its own review of the Company's submissions and issuing a notice of final income tax assessment to the Company.

The final income tax assessment as determined by TRA after its review and possible site visits may differ from the assessments determined by the Company. The tax laws stipulate procedures for the Company to object and appeal against TRA assessments. It is common that the timeframe between the Company's own submission of final annual tax returns and the issuance of TRA tax assessments may be several months or years.

22. TRADE AND OTHER PAYABLES

	2017	2016
Trade payables	868,150	268,378
Other payables	78,643	63,694
Accrued expenses	1,027,373	2,071,781
VAT payable	1,348,922	2,273,543
Statutory deductions (PAYE & NSSF)	62,372	70,898
	3,385,460	**4,748,294**

Terms and conditions of the above financial and non-financial liabilities:

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

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

United States Dollars	42,558	278,579
Sterling Pound (GBP)	18,585	85,704
Total - Tanzania Shillings	**61,143**	**364,283**

	2017	2016
	TZS'000	TZS'000

23. BANK OVERDRAFT

The Company had secured an overdraft facility with CRDB Bank of TZS 2.5 billion in the previous years at an interest rate of 18% per annum accruing daily on the outstanding balance and is charged monthly.

	2017 TZS'000	2016 TZS'000
Outstanding balance at 31 December	**2,433,920**	**2,277,165**

24. CYLINDER DEPOSITS

Cylinder deposits are made up of payments made by customers for use of cylinders to store gas. The deposit are refundable to customers upon return of the cylinders.

The movements of cylinder deposit accounts during the year was as follows:

	2017 TZS'000	2016 TZS'000
Balance at January	868,001	789,900
Deposits made during the year	240,675	158,535
Reallocation	(400,000)	-
Refunds made during the year	(51,404)	(80,434)
	657,272	**868,001**

25. EMPLOYEES' PENSION

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

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

During the year, the Company's contributions amounted to:

	2017 TZS'000	2016 TZS'000
NSSF and PPF	**272,720**	**236,254**

26. RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions with related parties as follows:

Key management personnel compensation:

	2017 TZS'000	2016 TZS'000
Short term benefits	961,691	946,927
Other long term benefits	126,144	170,478
Directors' remuneration	18,000	18,000
	1,105,835	**1,135,405**

Key management personnel are described as those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly including any director of the Company.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise bank loans and overdrafts, trade and other payables, trade and other receivables, cash and bank balances and cylinder deposits. The Company has various financial assets such as trade receivables, 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, 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 following 12 –month period (2016:70%). The Company assessed the concentration of risk with respect to financing its debt and concluded it to be low due to the new market obtained in Zimbabwe and the capital injected through the issuing of additional shares which generated income.

Disclosure of this information enables users of financial statements to evaluate the significance of financial instruments for financial position and performance and is prepared based on undiscounted cash flows.

Year ended 31 December 2017

	On demand	Less than 3 months	3 to 12 months	Up to 5 years	Effect of discounting	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Financial Assets						
Trade and other receivables	3,261,494	-	-	-	-	3,261,494
Cash and bank balances	86,556	-	-	-	-	86,556
Financial liabilities						
Cylinder deposits	657,272	-		-	-	657,272
Trade and other payables	2,017,710	-	-	-	-	2,017,710
Interest bearing loans and borrowings	67,248	134,496	605,237	4,680,119	-	5,487,100
Bank overdraft	2,433,920	-		-	-	2,433,920
Gap	**(1,828,100)**	**(134,496)**	**(605,237)**	**(4,680119)**	**-**	**(7,247,952)**

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Year ended 31 December 2016

	On demand	Less than 3 months	3 to 12 months	Up to 5 years	Effect of discounting	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Financial assets						
Cash and bank balances	326,051	-	-	-	-	326,051
Trade and other receivables	**3,151,297**	-	-	-	-	**3,151,297**
Financial liabilities						
Interest bearing loans and borrowings	91,797	116,054	1,534,934	2,491,179	-	4,233,964
Bank overdraft	2,277,165	-		-	-	2,277,165
Trade and other payables	2,403,853		-	-	-	2,403,853
Cylinder deposits	868,001	-		-	-	868,001
Gap	**(2,163,468)**	**(116,054)**	**(1,534,934)**	**(2,491,179)**	-	**(11,585,474)**

b) 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 currency risk, although there were some trade payables denominated in United States dollars. Currency risk is managed at an operational level and is monitored by the Finance Department. Exposure to losses arising from foreign currency liabilities is managed through prompt payment of outstanding liabilities.

Foreign currency sensitivity

The currency sensitivity demonstrate the possible changes in foreign currencies (USD and Euro) exchange rates, with all other variables held constant and has impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material with respect to balances at the reporting date as disclosed in Notes 17, 18 and 22 respectively.

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 19% in 2017 (2016: 18%). Furthermore, no significant change in interest rates is expected for the coming twelve months as the rates are fixed.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables).Potential concentration of credit risk consists principally of short term cash and cash equivalents, and trade receivables which stood at TZS 5.925 million (2016: TZS 20.478 million) and TZS 3,226 billion (2016: TZS 3.151 billion) respectively.

The Company has a credit policy that is designed to ensure that consistent processes are in place to measure and control credit risk as noted in below paragraphs. 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 requirement of the policy formally delegates authorities to the sales and marketing teams to assess and advice from time to time regarding credibility and ability of the customer to pay in order to reduce credit risk with support of finance department.

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

Based on the management assessment at the reporting date regarding the balance of trade receivable shown above, the maximum exposure lies with customers such as Muhimbili Orthopaedic Institute and Muhimbili National Hospital as these are government Institutions whose payments may be certain but takes a long time to recover.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

		2017 TZS '000	2016 TZS '000
Neither past due nor impaired	Up to 30 days	1,791,876	1,903,430
Past due but not impaired	31 - 60 days	447,412	305,510
	61 - 90 days	2,057	69,914
Past due but impaired	Over 90 days	1,020,149	872,443
		3,261,494	3,151,297
Less: Impaired	Over 90 days	380,385	380,385
Net trade receivables		2,881,109	2,770,912

28. LEASE COMMITMENTS

The Company had no lease commitments at year end (2016: Nil).

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

This IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Set out below is a comparison of the carrying amounts and fair values of the Company's financial instruments.

2017	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Carrying amount TZS'000
Financial liabilities				
Interest bearing loans	-	5,487,100	-	5,487,100
	-	**5,487,100**	**-**	**5,487,100**

2016	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Carrying amount TZS'000
Financial liabilities				
Interest bearing loans	-	4,391,894	-	4,391,894
	-	**4,391,894**	**-**	**4,391,894**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The carrying amounts of cylinder deposits, trade and other payables, and trade and other receivables approximate or equal to the fair values of assets and liabilities as these are short term in nature.

For the bank overdraft, the rate imposed on the term will depend on the daily outstanding balance. The balance at the end of year 2017 equals the fair value in respect of the prevailing rate on the outstanding balance.

The interest rate per annum on the interest bearing loan is fixed at 19% for the entire loan period. Changes in inflation rate are minimal in Tanzania. In the current year the inflation averaged 4.9% (2016: 5%). Therefore the carrying amount is the best estimation of the fair value.

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 ended 31 December 2017 and 31 December 2016.

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.

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

At 31 December 2017, the net debt ratio was 40% (2016: 44.30%)

	2017	2016
Gross debt	TZS'000	TZS'000
Interest bearing loans and borrowings	5,487,100	4,391,894
Bank overdrafts	2,433,920	2,277,165
Trade and other payables	3,385,460	4,748,294
Cylinder deposits	657,272	868,001
Cash and bank balances	(86,556)	(326,051)
Net debt	**11,877,196**	**11,959,303**
Equity	**17,918,534**	**15,583,201**
Total debt and capital	**29,795,730**	**27,542,404**
Debt ratio	**40%**	**43%**

32. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2017, 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. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting date which would require adjustment to, or disclosure in, these financial statements.