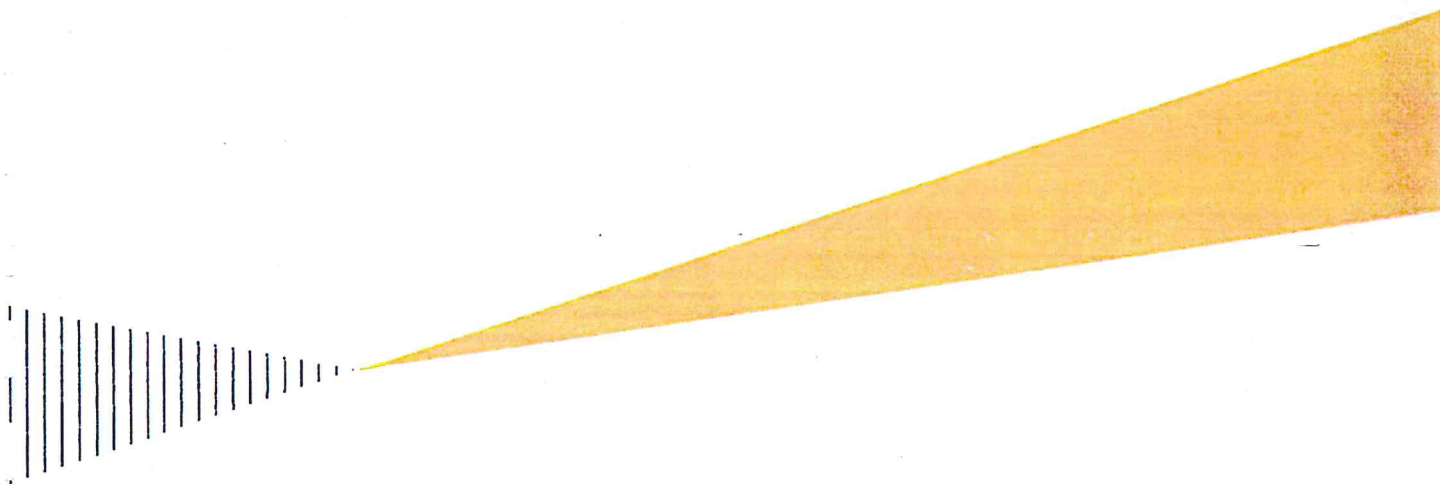


**TOL GASES LIMITED**  
**ANNUAL REPORT**  
**AND**  
**AUDITED FINANCIAL STATEMENTS**  
**31 DECEMBER 2018**



**EY**

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# **TOL GASES LIMITED**

## **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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# TOL GASES LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

### 1. INTRODUCTION

The Directors present their report and the audited financial statements for the financial year ended 31 December 2018 which disclose the state of affairs of TOL Gases Limited. The financial statements for the year ended 31 December 2018 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 2018, unless otherwise stated, are listed below:

<u>Name</u>	<u>Position</u>	<u>Age</u> <u>(years)</u>	<u>Nationality</u>	<u>Appointment</u> <u>/(Resignation)</u>
Mr. Michael Shirima	Chairman	75	Tanzanian	28 April 2014
Mr. Godfrey Urasa	Director	76	Tanzanian	28 April 2014
Mr. Simon Mponji	Director	75	Tanzanian	28 April 2014
Mr. Justin Massawe	Director	38	Tanzanian	28 April 2014
Mr. Leonard K.Chacha	Director	50	Tanzanian	27 April 2015
Prof Abraham Temu	Director	60	Tanzanian	24 August 2018
Eng. Joseph Machange	Director	68	Tanzanian	24 August 2018
Eng. Harold Temu	Director	67	Tanzanian	(24 August 2018)
Mr. Thomas Samkyi	Director	62	Tanzanian	(24 August 2018)

### 7. BOARD COMMITTEES

#### AUDIT COMMITTEE

Mr. Godfrey Urasa	Chairman	76	Tanzanian
Mr. Simon Mponji	Member	75	Tanzanian
Mr Leonard K.Chacha	Director	50	Tanzanian

## TOL GASES LIMITED

### DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 7. BOARD COMMITTEES (Continued)

##### INVESTMENT COMMITTEE

Mr. Thomas Samkyi	Chairman	62	Tanzanian
Mr. Michael Shirima	Member	75	Tanzanian
Mr. Justin Massawe	Member	38	Tanzanian

All Directors were non-executive. The company secretary during the year ended 31 December 2018 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, Justin Massawe, Prof. Abraham K. Temu and Eng. Joseph Machange hold shares in the company as shown in the table below.

#### 9. SHAREHOLDING

The total number of shares issued at the end of the year 2018 was 57,560,304 (2017: 57,560,304).

Shareholder	Number of shares	%
M/S Erncon Holding Limited	8,017,389	13.9
Ernest Saronga Massawe	6,412,594	11.1
Goodison Fourthy Seven Limited	6,349,317	11
Treasury Registrar	3,570,457	6.2
Anorld B.S. Kilewo	3,110,416	5.4
Godfrey Urasa	2,618,030	4.6
Harold Temu	2,507,740	4.4
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
Justine Massawe	400,100	0.7
Simon Mponji	44,851	0.08
Thomas Samkyi	14,852	0.03
Prof. Abraham K. Temu	5,075	0.01
Leonard K Chacha	200	0.0003
Others	18,254,110	31.7
<b>TOTAL</b>	<b>57,560,304</b>	<b>100.00</b>



## TOL GASES LIMITED

### DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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. (2017: 60 million Ordinary Shares of TZS 100).

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

57,560,304 ordinary shares of TZS 100 each (2017: 57,560,304 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.

## **TOL GASES LIMITED**

### **DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **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 2018 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.



## TOL GASES LIMITED

### DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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 2018 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

## **TOL GASES LIMITED**

### **DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **13. FUTURE DEVELOPMENT PLANS**

The Company successfully completed the turnaround phase. The turnaround phase dealt with curing the perennial loss making problem. Post turnaround strategy has also been formulated whose main focus is to rebuild the Company's balance sheet position while lifting earnings in absolute terms to the levels of TOL's regional listed peers. As such the post turnaround strategy pays attention to the sustainability as well as improving the efficiency of the current operations. In this regard the Company is undertaking a re-evaluation of the efficacy, and sufficiency of its productive platforms, in particular air separation plant ASPEN 1000 as well as carbon dioxide distribution fleet, with a view to aligning these assets with market needs and recommended cost structure in the coming financial year and beyond. Where necessary the Company will be looking to invest in appropriately sized plants as well as additional fleet.

#### **Future outlook**

Over the past few years of turnaround, the Company has done more than just recover its local and regional market share of carbon dioxide market but it has developed new ones too such as the D. R. Congo. It is pleasing to note that the Company is in need of increased investment to cater for the growing demand and increased market share as stated above. The same cannot be said of atmospheric gases such as oxygen and nitrogen given the production inconsistencies there has been due to problems affecting the production plant. However plans are underway to make new investment in an appropriately sized plant. This will eliminate the products run-outs customers have been experiencing in the past years and increase the sale of other related products such as welding gas and welding consumables.

Investment in a replacement plant for the production of oxygen and nitrogen will mark the end of all the Company's major unprofitable assets, whose effect will be increased profitability and improved cash position. In conclusion, TOL's future remains bright and promising

#### **14. DIVIDEND**

The directors recommend payment of TZS 1 billion which is TZS 17.4 per share (2017: Nil) to shareholders as final dividend. In making this proposal the directors have taken into account the financial situation of the Company and its future needs for implementing replacement and improvement projects.

#### **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 3,624 million (2017: TZS 2,169 million), an increase of 67% from prior year, while the sales increment was 23% 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.



**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 53, 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 2.116 billion during the year ended 31 December 2018 (2017: TZS 2.690 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 who conform 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.

**DIRECTORS' REPORT (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 2018 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 at Itagata secondary school in Rungwe district and one classroom at Mpata primary school in Busekelo district.



**DIRECTORS' REPORT (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 2019 will be tabled at the Annual General Meeting.

By order of the Board

Name: MICHAEL SHIRIMA Title: CHAIRMAN

Signature: 

Name: SIMON MPONJI Title: DIRECTOR

Signature: 

Date: 30/MAY 2019

**TOL GASES LIMITED**


**DECLARATION OF THE HEAD OF FINANCE  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 M. TILAFU..... being the Head of Finance for TOL Gases Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31<sup>st</sup> December 2018, 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 2018 and that have been prepared based on the properly maintained financial records.

  
Signed by: EVARIST MARCEL TILAFU

Title: Head of Finance

NBAA Membership No. GA 4015





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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 56, which comprise the statement of financial position as at 31 December 2018, 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 2018, 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
<b>Accounting for tax positions</b>	
<p>Tax positions were significant to our audit because the assessment process involves judgement.</p> <p>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.</p> <p>Tax focus areas included compliance with changes in tax laws effective during the year and the financial reporting implication of open tax assessments.</p> <p>Assessing the likely outcome and quantification of tax exposures was one of the judgmental areas our audit was focused on.</p> <p>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.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Understanding the Company's processes for recording and assessing of tax provisions and contingent liabilities.</li> <li>• 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.</li> <li>• Involving our team tax specialists to analyze the tax positions and to evaluate the assumptions used to determine tax positions.</li> <li>• 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.</li> <li>• Assessing the adequacy of the Company's disclosure in Note 21 in respect of income tax.</li> </ul>

#### Other Information included in the Company's 2018 Directors' Report

The other information comprises the Directors' Report as required by the Companies Act, 2002 of Tanzania. 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.





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## **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.

**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.

The engagement partner on the audit resulting in this independent auditor's report is Deokari S. Mkenda.

Signed by; Deokari S. Mkenda  
ACPA 3438

For and on behalf of Ernst & Young  
Certified Public Accountants  
Dar es Salaam

Date: 30 / MAY / 2019

**TOL GASES LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

		<u>2018</u>	<u>2017</u>
	Notes	TZS '000	TZS '000
Revenue	8	18,433,709	15,027,871
Cost of sales	9	(10,087,628)	(8,142,051)
<b>Gross profit</b>		<u>8,346,081</u>	<u>6,885,820</u>
Other income	10	80,617	193,427
Operating expenses	11	(3,631,528)	(4,006,775)
<b>Operating profit</b>		<u>4,795,170</u>	<u>3,072,472</u>
Finance costs		(1,171,090)	(903,452)
<b>Profit before tax</b>		<u>3,624,080</u>	<u>2,169,020</u>
Income tax (expense)/credit	21	(1,007,338)	1,583
<b>Profit for the year</b>		<u>2,616,742</u>	<u>2,170,603</u>
Other comprehensive income			
<b>Total comprehensive income</b>		<u><u>2,616,742</u></u>	<u><u>2,170,603</u></u>
Basic/Diluted earnings per share (TZS)	14	45.46	37.71

# TOL GASES LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

ASSETS	Notes	2018 TZS '000	2017 TZS '000
<b>Non-current Assets</b>			
Property, plant and equipment	13	21,907,705	22,103,128
Intangible asset	15	835	2,152
		<b>21,908,540</b>	<b>22,105,280</b>
<b>Current assets</b>			
Inventories	16	4,537,738	4,373,078
Trade and other receivables	17	5,261,133	4,319,220
Tax recoverable	21	-	157,479
Cash and bank balances	19	181,274	86,556
		<b>9,980,145</b>	<b>8,936,333</b>
<b>TOTAL ASSETS</b>		<b>31,888,685</b>	<b>31,041,613</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	5,756,030	5,756,030
Share premium		6,756,615	6,756,615
Retained Earnings		7,974,355	5,405,889
		<b>20,487,000</b>	<b>17,918,534</b>
<b>Non-current liabilities</b>			
Long term borrowings	20	3,910,000	4,680,119
Deferred tax liability	21	1,411,950	1,159,327
		<b>5,321,950</b>	<b>5,839,446</b>
<b>Current liabilities</b>			
Trade and other payables	23	1,068,453	3,385,460
Tax payable	21	314,456	-
Bank overdraft	22	3,112,899	2,433,920
Cylinder deposits	24	563,927	657,272
Current portion of loans	20	1,020,000	806,981
		<b>6,079,735</b>	<b>7,283,633</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31,888,685</b>	<b>31,041,613</b>

These financial statements were approved by the board of directors for issue on 30/MAY 2019 and were signed on its behalf by:

Name: MICHAEL SHIRIMA Title: CHAIRMAN Signature: 

Name: SIMON MPONJI Title: DIRECTOR Signature: 

**TOL GASES LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share capital	Share premium	Retained earnings	Total
	TZS '000	TZS '000	TZS '000	TZS '000
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
Employee's share issued	47,220	117,510	-	164,730
<b>At 31 December 2017</b>	<b>5,756,030</b>	<b>6,756,615</b>	<b>5,405,889</b>	<b>17,918,534</b>
At 1 January 2018	5,756,030	6,756,615	5,405,889	17,918,534
Impact on initial application of IFRS 9 net of tax			(48,276)	(48,276)
Profit for the year			2,616,742	2,616,742
Other comprehensive income				
<b>At 31 December 2018</b>	<b>5,756,030</b>	<b>6,756,615</b>	<b>7,974,355</b>	<b>20,487,000</b>



**TOL GASES LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>TZS '000</b>	<b>TZS '000</b>
<b>OPERATING ACTIVITIES:</b>			
Profit before tax		3,624,080	2,169,020
<b>Adjustment for non-cash items:</b>			
Depreciation and amortisation	<b>13 &amp; 15</b>	2,290,038	2,148,623
Interest paid		1,171,090	903,452
Loss on disposal of fixed assets	<b>10</b>	22,994	-
Unrealised exchange (gain)/loss	<b>10</b>	(2,541)	(38,600)
Corporate tax paid	<b>21 (b)</b>	(262,091)	(247,645)
		<b>6,843,570</b>	<b>4,934,850</b>
<b>Movements in working capital</b>			
Increase in inventories		(164,659)	(766,925)
Increase in trade and other receivables		(1,010,880)	(695,193)
Decrease in cylinder deposits		(93,345)	(210,730)
Decrease in trade and other payables		(2,317,007)	(1,362,849)
		<b>(3,585,891)</b>	<b>(3,035,697)</b>
<b>Net cash flows generated from operating activities</b>		<b>3,257,679</b>	<b>1,899,153</b>
<b>INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	<b>14</b>	(2,116,291)	(2,690,487)
<b>Net cash flows used in investing activities</b>		<b>(2,116,291)</b>	<b>(2,690,487)</b>
<b>FINANCING ACTIVITIES:</b>			
Bank loan repaid	<b>20</b>	(5,657,100)	(4,627,793)
Bank loan received	<b>20</b>	5,100,000	5,723,000
Employees' shares issue proceeds		-	164,730
Interest paid		(1,171,090)	(903,452)
<b>Net cash flows used in financing activities</b>		<b>(1,728,190)</b>	<b>356,485</b>
Net decrease in cash and cash equivalent		(586,802)	(434,849)
Unrealised exchange gain	<b>10</b>	2,541	38,600
Cash and cash equivalents at 1 January		(2,347,364)	(1,951,115)
<b>Cash and cash equivalents at 31 December</b>	<b>19</b>	<b>(2,931,625)</b>	<b>(2,347,364)</b>

## **TOL GASES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **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 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**

##### **New and amended standards and interpretations**

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2018 have been adopted by the Company. Of those, the following has had an effect on the Company's financial statements:

##### **International Financial Reporting Standards 9 (IFRS 9): Financial Instruments**

IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.



## **TOL GASES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

##### **New and amended standards and interpretations (Continued)**

For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgement in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-month ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognised from inception.

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Company did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Therefore the adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in opening retained earnings as the entity has elected the modified retrospective approach.

Consequently, for notes and disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes and disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in the accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details of the specific IFRS 9 accounting policies applied in the current period are described in more detail in note 1(a) (i) and note 17.

##### **(i) Classification and measurement of financial instruments**

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as per below table:



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

**New and amended standards and interpretations (Continued)**

**TRANSITION DISCLOSURES**

The following pages set out the impact of adopting IFRS 9 on the statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is, as follow

	IAS 39 measurement			Re measurement IFRS 9	
	Category	IAS 39 TZS '000'	ECL Adjustment TZS '000'	IFRS 9 TZS '000'	New Classification
<b>Financial assets</b>					
Trade and other receivables	L&R	4,319,220	(68,967)	4,250,253	AC
Cash and bank balance	L&R	86,556	*	86,556	AC
<b>Total Financial Assets</b>		<b>4,405,776</b>		<b>4,336,809</b>	

\*= Expected credit loss on cash and bank balance was computed and considered insignificant.

L&R: Loans and Receivables

AC: Amortized Cost

**(ii) Impacts on initial application of IFRS 9.**

- Total provision for expected credit loss on trade and receivables increased by TZS 68,967,000 from TZS 380,385,000 as at 31 December 2017 to TZS 449,352,000 as at 1 January 2018;
- Overall decrease in equity due to adoption of IFRS 9 is TZS 48,277,000 and increase in deferred tax asset by TZS 20,690,000.

## **TOL GASES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)**

##### **New and amended standards and interpretations (Continued)**

##### **IFRS 15: Revenue from contracts with customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Company adopted IFRS 15 using the modified retrospective method of adoption. The adoption of IFRS 15 did not change the revenue recognition profile of the Company.

Payments received from customers in advance of transfer of the control of goods were previously recognised under trade and other receivables. On the application of IFRS 15, these amounts are presented separately in the statement of financial position as contract liabilities

#### **4. Standard issued but not yet effective:**

##### **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.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

## **TOL GASES LIMITED**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

### 4. Standard issued but not yet effective (Continued)

#### ***IFRS 16 Leases (Continued)***

The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The Company expects to adopt the standard using the modified retrospective transition approach. The new standard's transition provisions permit certain reliefs.

#### ***IFRIC Interpretation 23 Uncertainty over Income Tax Treatment***

The interpretation addresses: i) whether an entity considers uncertain tax treatments separately; ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; iii) how the entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The Company is still assessing the impact of this interpretation.

#### ***Other new and amended standards***

The other new and amended standards issued but not yet effective, and not listed above, are not expected to have an impact on the Company's financial statements.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 significant 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 impairment of financial assets by computing life time expected credit loss for all financial assets at each reporting date.

***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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

**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**

The Company applied IFRS 15 for the first time during the year using the modified retrospective approach. Consequently, the comparative balances are based on the accounting policies used before adoption of IFRS 15. The accounting policies applied to the comparative balances and current year balances are indicated below.

**2017 accounting policy**

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. The following specific recognition criteria must also be met before revenue is recognised:

***Sale of goods***

Revenue from sale of industrial gases and other accessories comprises the amount invoiced for industrial gases and other accessories supplied during the year, net of value added tax, trade discounts and allowances. Revenue is recognized at the time a sale is affected, and all risks and rewards have passed to the customer.

***Sundry income***

Sundry income comprise of the amount invoiced for sale of non-core business sales. Recognition criteria follow the criteria described under "sale of goods."

**2018 accounting policy**

Revenue represents income arising in the course of Company's ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Company applied the portfolio approach in assessing the contracts. Revenue is stated net of value-added tax (VAT) and excise duty.

Revenue is primarily derived from the sale of industrial gases and other accessories. Payments from customers for which no goods have been transferred are carried in the statement of financial position as a contract liability until when the control of the related goods passes to the customer.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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

The five-step model stipulated in IFRS 15 *Revenue from contracts with customers* is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any. Currently, the Company does not have contracts with customers that have significant financing components or consideration payable to customers.

The Company applied IFRS 15 for the first time during the year using the modified retrospective approach. Consequently, the comparative balances are based on the accounting policies used before adoption of IFRS 15. The accounting policies applied to the comparative balances and current year balances are indicated below.

**2017 accounting policy**

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, and is stated net of value-added tax (VAT).

**Trade receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies on financial assets.

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

**Cost to obtain a contract**

The Company pays sales commission for certain contracts. These commissions are linked to the supplies made to the customer against the contract and are expensed during the year in which the supplies are made.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**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.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Inventories**

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

***Raw materials:***

Cost is determined by weighted average cost basis.

***Finished goods and work in progress:***

Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**Employees' benefits**

All of the Company's 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Impairment of non-financial assets (Continued)**

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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.



TOL GASES LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**

2017 accounting policy (Continued)

Impairment of financial assets

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



**TOL GASES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

*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). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a financial asset 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 interest income in profit or loss.

Financial assets, 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.

2018 accounting policy

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (b) *Revenue recognition*.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.



**TOL GASES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Financial instruments (Continued)**

**Financial assets (Continued)**

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Only the financial assets at amortised cost (debt instruments) category was relevant to the Company for the current year.

*Financial assets at amortised cost (debt instruments)*

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade and other receivables and bank balances.

**TOL GASES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Financial instruments (Continued)**

**Financial assets (Continued)**

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



**TOL GASES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**Financial instruments (Continued)**

**Financial assets (Continued)**

The Company considers a financial asset in default when contractual payments are 90 days past due, and have been monitored for an additional period of 275 days. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Financial liabilities**

**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

**Subsequent measurement**

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the 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 as finance costs in profit or loss.

**Derecognition**

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

**Offsetting of financial instruments**

**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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**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.

**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.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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.

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>8 REVENUE</b>		
Industrial gases	17,582,797	14,559,685
Accessories	850,912	468,186
	<b>18,433,709</b>	<b>15,027,871</b>
<b>9 COST OF SALES</b>		
<b>Direct Cost</b>		
Raw material	1,134,694	897,428
Direct labour (Note 12)	1,317,466	1,091,378
Transport costs	2,865,180	1,547,501
Depreciations of assets involved in the production	2,175,694	1,999,775
Overheads	863,046	1,172,817
Electricity and generator	1,731,548	1,433,152
	<b>10,087,628</b>	<b>8,142,051</b>
<p>The makeup of the direct cost consist of TZS 2,176 Million (2017: TZS 1,999 million) which is part of the total depreciation cost. This depreciation is directly associated with the production.</p>		
<b>10 OTHER INCOME</b>		
Installation and fixing of plants	30,794	122,262
Realized foreign exchange gain	47,282	32,565
Unrealized foreign exchange gains	2,541	38,600
	<b>80,617</b>	<b>193,427</b>
<b>11 OPERATING EXPENSES</b>		
Audit fees	71,895	75,555
Realized forex losses	31,726	83,565
Legal and professional fees	102,682	100,358
Depreciation	113,027	148,846
Amortisation	1,318	15,245
Staff cost (Note 12)	2,308,384	2,361,643
Administration cost	1,002,496	1,221,563
	<b>3,631,528</b>	<b>4,006,775</b>

The depreciation cost of TZS 113 Million (2017: TZS 149 Million) is part of of the total depreciation cost of TZS 2,289 Million (2017: TZS 2,133 Million) as disclosed on the note 13.



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**12 STAFF COST**

	<b>2018</b>	<b>2017</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Salaries and wages	2,360,761	2,444,172
statutory deductions	368,262	377,228
Medical expenses	221,850	245,250
Gratuity	216,414	180,464
Other staff costs	458,563	512,214
	<b>3,625,850</b>	<b>3,759,328</b>
Direct labour	1,317,466	1,397,685
Operating expenses	2,308,384	2,361,643
	<b>3,625,850</b>	<b>3,759,328</b>

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**13 PROPERTY, PLANT AND EQUIPMENT**

	Land	Building	Plant & machinery	Cylinders	Motor vehicles	Office equipment	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>								
At 1 January 2018	737,101	2,469,177	20,791,777	3,910,476	6,652,365	869,949	1,275,960	36,706,806
Additions	-	16,560	248,295	1,332,409	185,409	75,690	257,928	2,116,291
Transfer	-	-	1,316,721	-	-	-	(1,316,721)	-
Disposal	-	-	-	-	(51,032)	-	-	(51,032)
<b>At 31 December 2018</b>	<b>737,101</b>	<b>2,485,737</b>	<b>22,356,793</b>	<b>5,242,885</b>	<b>6,786,742</b>	<b>945,639</b>	<b>217,167</b>	<b>38,772,065</b>
<b>Accumulated depreciation</b>								
At 1 January 2018	-	429,002	9,183,593	1,008,164	3,333,323	649,595	-	14,603,678
Charge for the year	-	47,793	976,354	156,047	1,032,293	76,233	-	2,288,720
Disposal	-	-	-	-	(28,038)	-	-	(28,038)
<b>At 31 December 2018</b>	<b>-</b>	<b>476,795</b>	<b>10,159,947</b>	<b>1,164,211</b>	<b>4,337,578</b>	<b>725,828</b>	<b>-</b>	<b>16,864,360</b>
<b>Carrying value</b>								
<b>At 31 December 2018</b>	<b>737,101</b>	<b>2,008,941</b>	<b>12,196,846</b>	<b>4,078,674</b>	<b>2,449,164</b>	<b>219,810</b>	<b>217,167</b>	<b>21,907,705</b>

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



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**13 PROPERTY, PLANT AND EQUIPMENT (Continued)**

	Land	Building	Plant & machinery	Cylinders	Motor vehicles	Office equipment	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>								
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)	-
Disposal								-
<b>At 31 December 2017</b>	<b>737,101</b>	<b>2,469,177</b>	<b>20,791,777</b>	<b>3,910,476</b>	<b>6,652,365</b>	<b>869,949</b>	<b>1,275,960</b>	<b>36,706,806</b>
<b>Accumulated depreciation</b>								
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
Disposal	-	-	-	-	-	-	-	-
<b>At 31 December 2017</b>	<b>-</b>	<b>429,002</b>	<b>9,183,593</b>	<b>1,008,164</b>	<b>3,333,323</b>	<b>649,595</b>	<b>-</b>	<b>14,603,678</b>

**Carrying value**

<b>At 31 December 2017</b>	<b>737,101</b>	<b>2,040,174</b>	<b>11,608,184</b>	<b>2,902,312</b>	<b>3,319,042</b>	<b>220,353</b>	<b>1,275,960</b>	<b>22,103,128</b>
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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. The bank also hold legal mortgage over Company's property with Title No. 937 MZLR (LO No. 67760) Nyakato area and Title No. 186068/25 (LO No. 282480) Dar es Salaam.

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>2018</u>	<u>2017</u>
	TZS '000	TZS '000
<b>14 EARNINGS PER SHARE</b>		
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year. There was no transactions leading to dilutive effect.		
Net profit attributable to shareholders	2,616,742	2,170,603
Weighted average number of ordinary shares	57,560,304	57,560,304
Basic earnings per share (TZS)	<u>45.46</u>	<u>37.71</u>
Basic and diluted earnings per share (TZS)	<u>45.46</u>	<u>37.71</u>
<b>15 INTANGIBLES</b>		
<b>Cost</b>		
At 1 January	171,802	171,802
Additions		-
<b>31 December</b>	<u>171,802</u>	<u>171,802</u>
<b>Accumulated amortization</b>		
At 1 January	169,650	154,405
Charge for the year	1,317	15,245
<b>31 December</b>	<u>170,967</u>	<u>169,650</u>
<b>Carrying value</b>		
<b>31 December</b>	<u>835</u>	<u>2,152</u>
<b>16 INVENTORIES</b>		
Raw materials	1,671,178	1,293,890
Finished goods	783,493	1,736,894
Welding machines equipment	1,782,939	1,136,358
Medical machines equipment	300,128	205,936
	<u>4,537,738</u>	<u>4,373,078</u>

The raw material inventory of TZS 1,135 Million (2017: TZS 897 Million) was recognised to cost of sales from the inventories.



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<b>2018</b>	<b>2017</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>17 TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	4,853,460	3,261,494
Staff receivables	58,335	103,262
Advance to suppliers	-	411,865
Prepayments	887,629	922,984
	<u>5,799,424</u>	<u>4,699,605</u>
Provision for impairment	(538,291)	(380,385)
	<u><b>5,261,133</b></u>	<u><b>4,319,220</b></u>

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

As at 31 December 2018 trade receivables amounting to TZS 538 Mn (2017: TZS 380 Mn) were impaired and fully provided for.

Movement on the provision for expected credit loss:

At 1 January	380,385	380,385
Charge for the year	88,940	-
Initial application of IFRS 9	68,966	-
<b>At 31 December</b>	<u><b>538,291</b></u>	<u><b>380,385</b></u>

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

Up to 30 days	2,618,399	1,791,876
31 - 60 days	908,285	447,412
61 - 90 days	346,254	2,057
Over 90 days	980,522	1,020,149
	<u><b>4,853,460</b></u>	<u><b>3,261,494</b></u>

Trade and other receivables comprise of the following amounts denominated in foreign currency ( USD)

Amount is in TZS	962,087	677,282
	<u><b>962,087</b></u>	<u><b>677,282</b></u>

**18 SHARE CAPITAL**

**Authorized**

60 million Ordinary Shares of TZS 100 each	<u><b>6,000,000</b></u>	<u><b>6,000,000</b></u>
57,560,304 (2017: 57,560,304 ) Ordinary Shares issued and fully paid	<u><b>5,756,030</b></u>	<u><b>5,756,030</b></u>

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	<u>2018</u>	<u>2017</u>
	<u>TZS '000</u>	<u>TZS '000</u>
<b>19 CASH AND CASH EQUIVALENTS</b>		
Cash in hand	14,463	5,925
Cash at Bank	166,811	80,631
	<u><b>181,274</b></u>	<u><b>86,556</b></u>

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

Cash at banks and on hand	181,274	86,556
Bank overdrafts (Note 22)	(3,112,899)	(2,433,920)
	<u><b>(2,931,625)</b></u>	<u><b>(2,347,364)</b></u>

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

(ERO):

Amount is in TZS	<u>396</u>	<u>35,201</u>
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(USD):

Amount is in TZS	<u>25,760</u>	<u>20,822</u>
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**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	TZS '000	TZS '000
<b>20 LOANS AND BORROWINGS</b>		
<b>Barclays Bank Limited</b>		
<b><u>Facility</u></b>		
During the year, the company obtained a term loan facility amounted to TZS 5.1 billion from Barclays Bank Tanzania Limited for the purpose of paying off the Equity Bank Tanzania Limited loan facility amounted to TZS 5.4 billion. The loan was secured on 9th August 2018 and is to be repaid in sixty (60) equal monthly instalments. Interest rate is 14%, accrues daily and paid monthly in arrears.		
At 01 January	5,487,100	4,391,893
Loan received during the year	5,100,000	5,723,000
Repayment during the year	(5,657,100)	(4,627,793)
<b>As at 31 December</b>	<b>4,930,000</b>	<b>5,487,100</b>
Long term portion	3,910,000	4,680,119
Current portion	1,020,000	806,981
<b>Total current portion loan</b>	<b>1,020,000</b>	<b>806,981</b>
<b>Total long term loan</b>	<b>3,910,000</b>	<b>4,680,119</b>

The mortgages for the loans includes:

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

**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	TZS '000	TZS '000
<b>21 TAXATION</b>		
<b>a) Income tax expense</b>		
Current income tax charge	578,101	52,879
Deferred tax charge	273,313	199,440
Additional tax from the tax audit 2013- 2016	155,924	(253,902)
Income tax reported in the income statement	<b>1,007,338</b>	<b>(1,583)</b>
A reconciliation between tax expense and accounting profit multiplied by Tanzania Corporate tax for the year ended 31 December 2018 and 2017 as follow:		
<b>Accounting before income tax</b>	3,624,080	2,169,020
At Tanzania's statutory income tax rate 30% (2017: 30%)	(1,087,224)	(650,706)
<b>Non-deductible expenses for tax purpose</b>		
Non-deductible expenses	-	(696,174)
Deductions Allowable	-	1,094,561
Additional tax from the tax audit 2013- 2016	(155,924)	253,902
Previous year over/under provision	235,810	-
	<b>(1,007,338)</b>	<b>1,583</b>
<b>b) Tax recoverable/payable</b>		
Balance at 1 January	(157,479)	291,189
Tax charge for the year	578,101	52,879
Repayment made	(262,091)	(247,645)
Previous year overpayment	-	(253,902)
Additional tax from the tax audit 2013- 2016	155,925	-
	<b>314,456</b>	<b>(157,479)</b>

Tax assessments have been made up to 2016.



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	TZS '000	TZS '000
<b>21 TAXATION (Continued)</b>		
<b>c) Deferred tax</b>		
Deferred tax relates to the following :-		
Accelerated depreciation for tax purposes	4,861,864	3,825,823
Unrealised exchanges gain	2,541	38,600
Increase of provision	(88,940)	-
Tax losses	-	-
	<b>4,775,465</b>	<b>3,864,423</b>
Deferred tax( asset)/liability thereon at 30%	1,432,640	1,159,327
Deferred tax on initial application of IFRS 9	(20,690)	-
	1,411,950	1,159,327
Less: Opening deferred tax	1,159,327	959,887
Deferred tax expense	<b>273,313</b>	<b>199,440</b>

**Final tax assessments**

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 from the Company's own submission of final annual tax returns and TRA tax assessments may take several months or years.

**22 BANK OVERDRAFT**

The Company had secured an overdraft facility with CRDB Bank of TZS 3.2 billion at an interest rate of 14.5% per annum accruing daily on an outstanding balance and is charged monthly.

Outstanding balance as at 31 December	<b>3,112,899</b>	<b>2,433,920</b>
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**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	TZS '000	TZS '000
<b>23 TRADE AND OTHER PAYABLES</b>		
Trade payables	-	868,150
Other payables	88,606	78,643
Accrual expenses	578,900	1,027,373
VAT Payables	291,825	1,348,922
Statutory deduction (PAYE & NSSF)	109,122	62,372
	<b>1,068,453</b>	<b>3,385,460</b>

Terms and conditions of the above financial liabilities:

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

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

United States Dollars	44,137	42,558
Sterling Pound (GBP)	68,823	18,585
Total - Tanzania Shillings	<b>112,960</b>	<b>61,143</b>

**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:

Balance as at January	657,271	868,001
Deposits made during the year	99,600	240,675
Reallocation	(159,944)	(400,000)
Refunds made during the year	(33,000)	(51,404)
	<b>563,927</b>	<b>657,272</b>



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018	2017
	TZS '000	TZS '000
<b>25 EMPLOYEES PENSION</b>		
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 contribute 5% and employer 15%.		
During the year, the company's contribution amounted to:		
NSSF and PPF	167,695	137,104
<b>26 RELATED PARTY TRANSACTIONS</b>		
During the year, the company entered into transactions with related parties as follow:		
<b>Key management remuneration</b>		
Short term benefits	1,042,926	961,691
Other long term benefits	136,238	126,144
Directors remuneration	18,000	18,000
	<b>1,197,164</b>	<b>1,105,835</b>

# TOL GASES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

### 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 (2017:70%). The Company assessed the concentration of risk with respect to financing its debt and concluded it to be low.

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 2018

	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
<b>Financial Assets</b>						
Trade and other receivables	5,419,039	-	-	-	-	5,419,039
Cash and bank balances	181,274	-	-	-	-	181,274
<b>Financial liabilities</b>						
Cylinder deposits	563,927	-	-	-	-	563,927
Trade and other payables	1,068,454	-	-	-	-	2,017,710
Interest bearing loans and borrowings	85,000	170,000	765,000	3,910,000	-	4,930,000
Bank overdraft	3,112,899	-	-	-	-	3,112,899
<b>Gap</b>	<b>770,033</b>	<b>(170,000)</b>	<b>(765,000)</b>	<b>(3,910,000)</b>	<b>-</b>	<b>(4,074,967)</b>



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

**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
<b>Financial Assets</b>						
Trade and other receivables	3,261,494	-	-	-	-	3,261,494
Cash and bank balances	86,556	-	-	-	-	86,556
<b>Financial liabilities</b>						
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
<b>Gap</b>	<b>(1,828,100)</b>	<b>(134,496)</b>	<b>(605,237)</b>	<b>(4,680,119)</b>	<b>-</b>	<b>(7,247,952)</b>

**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 14% in 2018 (2017: 19%). Furthermore, no significant change in interest rates is expected for the coming twelve months as the rates are fixed.

## **TOL GASES LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018**

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

##### **d) Credit risk**

Credit risk is the risk that 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 181 million (2017: TZS 86.5 million) and TZS 5.419 billion (2017: TZS 4.319 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 Director of Sales, Marketing and Business Development

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



**TOL GASES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

		<b>2018</b>		<b>2017</b>
		<b>TZS '000</b>		<b>TZS '000</b>
Neither past due nor impaired	Up to 30 days	2,618,399		1,791,876
Past due but not impaired	31 - 60 days	908,285		447,412
	61 - 90 days	346,254		2,057
Past due but impaired	Over 90 days	980,522		1,020,149
		4,853,460		3,261,494
Less: Impaired	Over 90 days	538,291		380,385
Net trade receivables		4,315,169		2,881,109

**28. LEASE COMMITMENTS**

The Company had no lease commitments at year end (2017: 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.

<b>2018</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying amount</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
Financial liabilities				
Interest bearing loans	-	4,930,000	-	4,930,000
	-	4,930,000	-	4,930,000
<b>2017</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Carrying amount</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
Financial liabilities				
Interest bearing loans	-	5,487,100	-	5,487,100
	-	5,487,100	-	5,487,100

## TOL GASES LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

#### 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 2018 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 14% for the entire loan period. Changes in inflation rate are minimal in Tanzania. In the current year the inflation averaged 4.9% (2017: 4.9%) 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 2018 and 31 December 2017.

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



# TOL GASES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2018

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

At 31 December 2018, the net debt ratio was 40% (2017: 40%)

	2018	2017
	TZS'000	TZS'000
<b>Gross debt</b>		
Interest bearing loans and borrowings	4,930,000	5,487,100
Bank overdrafts	3,112,899	2,433,920
Trade and other payables	1,068,454	3,429,003
Cylinder deposits	563,927	657,272
Cash and bank balances	(181,274)	(86,556)
<b>Net debt</b>	<b>9,494,006</b>	<b>11,920,739</b>
<b>Equity</b>	<b>20,566,455</b>	<b>17,917,187</b>
<b>Total debt and capital</b>	<b>30,060,461</b>	<b>29,837,926</b>
 Debt ratio	 30%	 40%

### 32. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2018, 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.





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