

TOL GASES LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

TOL GASES LIMITED

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TOL GASES LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2023

PRINCIPAL PLACE OF BUSINESS

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

BANKERS

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

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

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

Diamond Trust Bank
Mlimani City Branch
P.O. Box 115
Dar es Salaam
Tanzania

ABSA Bank Tanzania Limited
P.O Box 5137
Dar es Salaam
Tanzania

COMPANY AUDITOR

KPMG
The Luminary
Plot No.574, Haile Selassie Road
Msasani Peninsula Area
P.O. Box 1160
Dar es Salaam
TIN 101-269-027 VAT REG No. 10-007190R
NBAA Reg. No. PF 020

COMPANY LAWYERS

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

Purity Attorneys & Associates
3rd Floor Maktaba complex
Bibi Titi/ Maktaba Streets
P.O. Box 79569
Dar es Salaam
Tanzania

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023

1. INTRODUCTION

The Directors present their annual report and the audited financial statements for the financial year ended 31 December 2023 which disclose the state of affairs of TOL Gases Limited as at that date. The financial statements for the year ended 31 December 2023 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 the 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 who served the Company since 1 January 2023 and up to the date of this report are:

<u>Name</u>	<u>Position</u>	<u>Gender</u>	<u>Age (years)</u>	<u>Nationality</u>	<u>Appointment (Retirement)</u>	<u>Profession</u>
Mr. Harry Kitilya	Chairman	Male	74	Tanzanian	25 August 2023	Finance
Mr. Michael Shirima*	Director	Male	79	Tanzanian	(9 June 2023)	Aviation
Ms. Tunu Kinabo	Director	Female	46	Tanzanian	25 August 2023	Strategist
Mr. Simon Mponji	Director	Male	80	Tanzanian	(25 August 2023)	Accountant
Mr. Justin Massawe	Director	Male	43	Tanzanian	28 April 2014	Banker
Mr. Selestine Some	Director	Male	48	Tanzanian	1 April 2019	Accountant
Prof Abraham Temu	Director	Male	65	Tanzanian	24 August 2018	Engineer
Eng. Joseph Machange	Director	Male	73	Tanzanian	24 August 2018	Engineer
Mr. Leonard C. Kitoka	Director	Male	54	Tanzanian	27 August 2021	Accountant

All Directors were non-executive. The Company secretary during the year ended 31 December 2023 was Cornelius Kariwa.

There were four board meetings held during the year under review.

*This director deceased on 9th June 2023.

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

7. BOARD COMMITTEES

AUDIT COMMITTEE

<u>Name</u>	<u>Position</u>	<u>Gender</u>	<u>Age</u>	<u>Nationality</u>
Mr. Leonard C. Kitoka	Chairman	Male	54	Tanzanian
Prof Abraham Temu	Director	Male	65	Tanzanian
Eng. Joseph Machange	Director	Male	73	Tanzanian

There were four audit committee meetings held during the year under review.

INVESTMENT AND HUMAN CAPITAL COMMITTEE

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Nationality</u>
Ms. Tunu Kinabo	Chairperson	46	Tanzanian
Mr. Justine Massawe	Member	43	Tanzanian
Mr. Selestine Some	Member	48	Tanzanian
Prof Abraham Temu*	Member	65	Tanzanian

This director resigned from this committee and remained in the audit committee.

There was no Investment and Human Capital committee meeting held during the year under review.

8. DIRECTORS' REMUNERATION

The directors are each entitled to the director's fees paid annually as follows:

	<u>TZS</u>
Chairman of the Board	9,411,765
Other directors	7,058,824

The directors are each also entitled to sitting allowance for every meeting of the Board or its committees as follows:

	<u>TZS</u>
Chairman of the Board	800,000
Other directors	600,000

9. SHAREHOLDING

The total number of shares issued at the end of the year 2023 was 57,505,963 (2022: 57,505,963).

<u>Shareholder</u>	<u>Number of shares</u>	<u>%</u>
Ernest Saronga Massawe	9,613,462	16.72
M/S Erncon Holding Limited	9,562,096	16.63
Goodison Fourthy Seven Limited	6,818,080	11.86
Treasury Registrar	3,570,457	6.21

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

9. SHAREHOLDING (CONTINUED)

Shareholder	Number of shares	%
Anorld B.S. Kilewo	3,264,144	5.68
Godfrey Urasa	2,618,030	4.55
Harold Temu	2,507,740	4.36
Michael Shirima	1,680,405	2.92
Public Service Social Security Fund	1,083,333	1.88
Joseph C. N. Machange	1,029,584	1.79
Tanzania Securities Limited	902,170	1.57
Hon Frederick Tluway Sumaye	886,432	1.54
Mary Wanjiku Mboya	865,884	1.51
Gaspar Jason Uriyo	760,855	1.32
Joseph Anthony Gonsalves Joseph	612,111	1.06
Justine Massawe	400,100	0.70
Simon Mponji	44,851	0.08
Prof. Abraham K. Temu	17,818	0.03
Leonard Chacha Kitoka	200	0.00
Others	11,288,211	19.59
TOTAL	57,505,963	100.00

10. CAPITAL STRUCTURE

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

Authorised Share Capital

60 million ordinary shares of TZS 100 (Tanzanian Shilling one hundred each).

Called up and fully paid share capital.

57,505,963 ordinary shares of TZS 100 each (2022: 57,505,963 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. For better corporate governance the Board has Audit and Investment committees. Audit committee deals with Audit, risk and governance, while the Investment and Human Capital committee deals with Finance, Planning, Investments and Human resource.

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.

**REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

11. CORPORATE GOVERNANCE (CONTINUED)

The Board of Directors (Continued)

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 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 28 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.

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 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 2023 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.

TOL GASES LIMITED
REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

11. CORPORATE GOVERNANCE (CONTINUED)

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. 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 give true and fair view of:

- 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 year.

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.

The external auditor of the Company report on whether the annual financial statements give true and fair view. 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 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
- Technical and Production
- Sales, Marketing and Business Development
- Human Resources and Administration

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

12. MANAGEMENT (CONTINUED)

The key management personnel who served the Company during the year ended 31 December 2023 were:

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

13. OPERATING ENVIRONMENT

Macro and micro economic overview

The operating environment remained stable despite of the effects of Russia's invasion to Ukraine which has created energy supply disruptions, impacting food and fuel prices, as well as consumer sentiment as cost of living goes up. On the other hand, post covid-19, the government invested in the in-house medical oxygen production, then such move had the effect of removing the medical oxygen segment from private sector as the government hospitals becomes producers of the product. Nearly all the major government hospitals are already producing medical oxygen in-house. The macro-economic variables in Tanzania remained relatively stable during the year under review.

Competitive position

The Company continued to maintain its local and international market position with a customer centric focus. The Company has been successful in the region's CO₂ market. and the investment in the new additional carbon dioxide plant in 2023, will significantly strengthen TOL's position in the market as a reliable CO₂ supplier.

14. RESOURCES REQUIREMENTS

The Company creates value to stakeholders through a combination of different resources such as financial, human, manufactured, social and relationship, natural and other resources. The Company applies a combination of all the resources without disregarding the other to maximize value in the longer term.

Financial resources

Financial resources are deployed to finance the operations of the Company for both working capital expenditure requirements. It includes shareholder equity, retained earnings and external borrowings among others. The shareholder and debt funding give us a strong financial capital base that supports our operations and business growth.

During the year under review, our total equity decreased from TZS 25.5 billion to TZS 25.3 billion while the total borrowings has decreased to TZS 12.7 billion (2022: TZS 14.0 billion).

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

14. RESOURCES REQUIREMENTS (CONTINUED)

Human resources

Success is delivered through a purpose-driven, Execution and Delivery Culture. Our people are at the centre of our success. TOL Gases Limited will focus on employee development and leadership training to build a long sustainable competitive advantage. This would involve identifying the talents existing with TOL Gases Limited and provide them with the skills and leadership qualities that would enable them to excel in their performance. Focus to this would be performance driven rewards and compensation plan that would make staff and managers part of the delivery of the business plan.

Social and Relationship resources

Key stakeholders are continuously engaged in striving create value to our shareholders and meet their expectations. The views of our stakeholders are taken with great attention as they play a significant role in shaping our response to business and societal issues. Be it with our customers, suppliers, government regulatory agencies and the surrounding communities, a holistic approach is taken to sustainable value creation by nurturing our long-standing relationships and building new ones.

Natural resources

The natural resources like carbon dioxide is mined in Mbeya. The right technical know-how is required and the government support to TOL Gases Limited in its efforts to raise the required financing and operate its mining licences without major disruptions from the local community in Mbeya.

Other resource

In production of the products the Company requires, modern and reliable plants. The Company has modern plants for both carbon dioxide and ASU products which are less than 10 years. At the end of this year a new carbon dioxide plant was commissioned.

15. PRINCIPAL RISKS AND UNCERTAINTIES

The Company is committed to deliver stakeholders' expectations by mitigating risks which affect the Company's operations through a well-established risk management framework. Management believes the following risks may significantly impact the Company:

TOL GASES LIMITED

**REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

15. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Principal Risk	Context	Opportunities and Mitigations
Political & Economic	<ul style="list-style-type: none"> ✓ Tanzania has sustained relatively high growth in economy this year, bolstered by strengthened private consumption and recovered exports as global restrictions has been eased. GDP grew by 5.3% in 2023 supported by the large infrastructure spending. ✓ While there is no doubt about Government's commitment to macroeconomic stability, this may be sliding. ✓ There is no history of high incidences of natural disasters such as earthquakes, flooding etc in the country, which might have a significant impact on our key network elements. ✓ Mining Licenses infringement by the local community and leaders 	<ul style="list-style-type: none"> ✓ Continuously keep in touch with Government to monitor the situation. ✓ TOL Gases Limited will ensure it complies with all licences requirements and regularly report that to the Board of Directors. ✓ Carryout Corporate Social Responsibilities in the Local Community to improve relationship and obtain buy in.
Currency	<ul style="list-style-type: none"> ✓ The shilling is very vulnerable to any renewed dollar strengths. This impact on medium term inflation differentials. ✓ Significant element of TOL Gases Limited revenue is in TZS while suppliers of capital goods and raw materials demand payment in foreign currency. 	<ul style="list-style-type: none"> ✓ Foreign currency accounts are maintained. ✓ Borrow in TZS to cover operations and recapitalization.
Regulatory & Legal	<ul style="list-style-type: none"> ✓ Refers to current or prospective risk to earnings and capital arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from the possibility of incorrect interpretation of effective laws or regulations. 	The Company secretary ensures compliance and mitigation of any risk through regular review and update to management on a regular basis.
Market competition	<ul style="list-style-type: none"> ✓ The industrial gases and medical gases continue to face competition from other players, including some customers like government hospitals constructing their own medical oxygen plants. 	The Company continues to gain regional market share in carbon dioxide market following capacity enhancement and renewal of distribution fleet. The new oxygen plant has maintained the Company's market position as a reliable supplier of preference.

Further discussion on risks and mitigation programs are presented on Note 29 to these financial statements.

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

16. COMPANY'S KEY STRENGTHS

On pursuit of our objectives, the key strengths, and resources (both intangible and tangible) available to the Company are:

Competent Management and Personnel

The most important single resource of the Company is its human capital. Competent and qualified management team who drive the day-to-day activities to achieve the Company's objectives and manages the Company's operations. Committed and skilled employees who are well experienced in cryogenic technology and industry support the management team. The Company employs qualified and competent personnel and invests in their training.

Strong Brand and Quality Products

TOL Gases is a well-known producer of atmospheric gases in the market and synonymous with high quality. The brand and quality of the Company's products give the Company competitive advantage in the market.

Strong Distribution Network

With well-defined, diversified distribution network and the fleet of trucks owned by the Company, our products reach to the customers conveniently. The Company also exports its products to various countries in the Central and Eastern Africa Sub-Region.

17. STAKEHOLDER RELATIONSHIP

The Company maintains good business and cordial relationship through consistent engagement with key stakeholders who are central to the business sustainability, both in terms of understanding the key stakeholders needs and interests in delivering the Company's objectives and respond on concerns through decisions, actions, and performance as well as on going communication with our stakeholders. Set out below are the key stakeholders with whom the Company engages on a regular basis and the means of engagement.

Stakeholders	Management of stakeholder's relationship
Employees	Good relationship with Employees is always maintained. Employee engagement activities like staff meetings and departmental meetings have continued to be conducted as a move to ensure that employees are abreast with Company's direction. Development of leadership and skilled work force that is self-motivated and adequately compensated to support the business plan.
Customers	Developing and managing the customers channel and relationship to ensure customers' loyalty and maintain acceptable customers switching rate (Churn rate). Selective marketing program directed to selected market segments that TOL Gases Limited has chosen to obtain organic growth and values. Ensuring product quality, availability, and reliability.

TOL GASES LIMITED
REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

17. STAKEHOLDER RELATIONSHIP (CONTINUED)

Stakeholders	Management of stakeholder's relationship
Suppliers	Proper management of supply' chain and relationship to ensure we obtain goods and services at the most competitive prices and where practical, maximise credit opportunity. Competitive procurement of goods and services is always exercised, and fairness is of utmost importance while awarding supply contract to selected service providers.
Trade unions	Continuous engagement with the relevant employee unions (TUICO) and industrial labour organizations to ensure that ongoing constructive relationships with these stakeholders are maintained.
Shareholders/ Investors	Keep the dividend pay-out at a level that allows recapitalisation of profits in the business for the future growth of the Company. Annual General Meeting (AGM) is held on a yearly basis. The annual report is presented at the AGM to shareholders.
Regulatory authorities	Regular communication with the Capital Markets and Securities Authority, Dar es Salaam Stock Exchange (DSE), Mining Commission and interaction with Tanzania Revenue Authority in respect of TOL's tax commitments, as appropriate and other agencies.
Government	Regular interactions through Government Treasury Register.
Community	Collaboration with related entities concerning CSR to foster responsible initiatives and disseminate best practices.

18. FUTURE DEVELOPMENT PLANS

The Company commissioned a brand-new carbon dioxide plant towards the end of 2023. Equally additional investment in fleet with new Scania trucks and road tankers will be done, this will take the additional volume from the new plant into the market, following this TOL has enhanced its reliability on supply of carbon dioxide. Consequently, the two plants can capture and capitalize on the growth of beverage bottling activities in the region.

Based on the current demand of carbon dioxide (CO₂), TOL anticipates that all the products from the new installed plant and those of the old plants may not be sufficient to meet the demands of the existing market. In this regard plans for adding yet another Carbon dioxide (CO₂) plant will be initiated. Besides as the market is increasingly becoming price driven, TOL must strengthen its position of playing in the volume game. Equally the Company will continue to invest in the improvement of its fleet.

TOL has a strategic plan of investing in CNG (Compressed Natural Gas) and LPG (Liquefied Petroleum Gas) which will offer opportunities for TOL to diversify its business, capitalize on the increasing demand for cleaner energy sources, and potentially enhance its revenue streams. The Company will also participate in securing opportunities for the supply of gases to the East African Crude Oil Pipeline Project (EACOP). The gases tendered in the EACOP project include oxygen, argon, Argo shield, and dissolved acetylene.

TOL GASES LIMITED
REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

18. FUTURE DEVELOPMENT PLANS (CONTINUED)

With the improved reliability of supplies for oxygen and nitrogen gases followed the commissioning of the new Air Separation plant spruce 7 in 2021. The Company has commenced revitalising its route to the market for the industrial gases by directly engaging corporates and opened customer centres in the major cities in Tanzania by starting with Dar es Salaam.

Outlook

The new installed production capacity for carbon dioxide and the planned procurement of CO₂ additional road tankers and trucks and some cylinders will allow for higher production volumes, meeting increased demand or capturing new market opportunities. This will lead to higher revenues and increased market share. TOL will have depth in production capacity that has been missing hitherto to bolster its reputation as a reliable supplier for the three main industrial gases.

19. REVIEW OF THE BUSINESS

Directors use the key performance indicators both financial and non-financial, in assessing the Company's progress towards its objectives. These indicators are financial budgets, production targets, improved cost management, sustainable environmental performance, marketing innovation, human resources excellence and the corporate social responsibility programmes. These key performance indicators are commercially sensitive and consequently have not been reproduced here.

Financial results

Sales revenue declined by 3%, to TZS 24.7 billion from TZS 25.6 billion in 2022. The decrease in revenue was mainly attributed to the breakdown of Ikama I CO₂ plant towards the end of the year, EBITDA declined by 20% to TZS 7.8 billion from TZS 9.9 billion in 2022 caused by production through the use diesel generator following national grid power rationing hence high cost of production. During the year ended 31 December 2023, the Company earned a profit before tax of TZS 3,778 million (2022: TZS 6,197 million), a decrease of 39% from prior year.

The Company's net cash generated from operating activities improved by 17% from TZS 7.3 billion recorded in 2022 to TZS 8.6 billion in 2023. The net cash flows from operations, and the EBITDA performance, are testament that the Company's operational business fundamentals and outlook continue to be positive. The Company continues to be committed to its sales and operational efficiency as it seeks to continue enhancing value for its stakeholders.

Financial position

Non-current assets increased by 7% from TZS 36.6 billion to TZS 39.3 billion. The increase is attributed to the acquisition of a new Carbon dioxide plant. Decrease in intangible assets is due to amortization charged during the year.

Current assets have relatively decreased to TZS 15.1 billion (2022: TZS 19.4 billion). Trade and other receivables decreased by TZS 783.8 million resulted from aggressive collection. Inventories increased by TZS 3.6 billion reflecting materials and working in progress for the government project of supplying, installation, commissioning, and maintenance of Manifold Systems for health facilities in Mainland Tanzania.

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

19. REVIEW OF THE BUSINESS (CONTINUED)

Financial position (Continued)

Total current liabilities decreased by 1% this is highly attributable by repayment of the temporary bank overdraft by TZS 3 billion and converting the remained TZS 3 billion into a short-term loan facility.

Cash flows

The Company's major source of cash flow was from operating activities, which was attributable to improved collection efforts of amounts due from debtors.

Part of the funds generated in 2023 were mainly invested in the acquisition of non-current assets of TZS 5.4 billion (2022: TZS 11.6 billion).

The Directors do not recommend dividend payment for 2023 (2022: TZS 50) to shareholders as final dividend. In making this proposal the directors have considered the financial situation of the Company and its future needs for implementing replacement and improvement projects.

20. SOLVENCY

As at 31 December 2023, the Company's current liabilities exceeded its current assets by TZS 2,465 million mainly due to the fact that some borrowings are maturing in less than a year. To further strengthen its profitability the Company has made a strategic financial arrangement to support its growth initiatives. The one-year grace period on the DTB term loan facilities provides some breathing room for financing the required fleet, which is crucial for integrating the additional volume from the new CO2 plant into the market. Additionally, the completion of the government project for supplying, installing, and commissioning Manifold Systems for health facilities in Mainland Tanzania is a significant achievement, not just in terms of fulfilling a government contract but also in generating substantial additional revenue of TZS 2.9 billion in 2024. This demonstrates the company's ability to diversify its revenue streams and leverage opportunities in different sector.

The Board of Directors confirms that IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) have been followed and that the financial statements have been prepared on a going concern basis with a reasonable expectation that TOL Gases Limited has adequate resources to continue its operational existence at least for the next twelve months from the date of approval of these financial statements.

21. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The Company's accounting policies are subject to an annual review to ensure continuing compliance with IFRS Accounting Standards.

22. INVESTMENTS

The Company made investments in property, plant, and equipment to the value of TZS 5.4 billion during the year ended 31 December 2023 (2022: TZS 11.6 billion).

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

22. INVESTMENTS (CONTINUED)

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.

23. EMPLOYEES' WELFARE

Management and Employees' Relationship

Medical Assistance

The Company has medical insurance cover for all the 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 always prevails. 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 can 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 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 Savings and Credit Co-Operative Society (SACCOS). The Company supports the staff's SACCOS by managing the recoverability of the loan through payroll deductions.

Retirement Benefits

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

TOL GASES LIMITED

REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

23. EMPLOYEES' WELFARE (CONTINUED)

Retirement Benefits (Continued)

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

24. 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 2023 the Company had 84 male and 30 female employees.

25. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 28 to these financial statements.

26. POLITICAL DONATIONS

The Company did not make political donations during the year.

27. 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.

28. 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.

29. CORPORATE SOCIAL INVESTMENT

During the year TOL Gases Limited continued to support Tanzanian society through its Corporate Social Responsibility program. The Company participated in the construction of the wall that surrounds the Katumba Primary School special for the pupils with disability in Rungwe District.

TOL GASES LIMITED

**REPORT BY THOSE CHARGED WITH GOVERNANCE
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

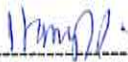
30. STATEMENT OF COMPLIANCE

The Directors confirm that the directors' report has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1 *the Report by Those Charged with Governance* and the Company complied with all relevant statutory legislations.

31. AUDITOR

The auditor, KPMG, has expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG as auditor of the Company for year 2024 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



Mr. Harry Kitilya
Chairman

27th June, 24
Date

TOL GASES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2023

The Company's Directors are responsible for the preparation of financial statements that give a true and fair view of TOL Gases Limited ("the Company"), comprising the statement of financial position as at 31 December 2023, 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 material accounting policies, in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), and in the manner required by the Companies Act, 2002.

The Directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have assessed the ability of the Company to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

As at 31 December 2023, the Company's current liabilities exceeded its current assets by TZS 2,465 million mainly due to the fact that some borrowings are maturing in less than a year. To further strengthen its profitability the Company has made a strategic financial arrangement to support its growth initiatives. The one-year grace period on the DTB term loan facilities provides some breathing room for financing the required fleet, which is crucial for integrating the additional volume from the new CO2 plant into the market. Additionally, the completion of the government project for supplying, installing, and commissioning Manifold Systems for health facilities in Mainland Tanzania is a significant achievement, not just in terms of fulfilling a government contract but also in generating substantial additional revenue of TZS 2.9 billion in 2024. This demonstrates the company's ability to diversify its revenue streams and leverage opportunities in different sector. Therefore, the directors believe the Company will continue to be a going concern for a foreseeable future.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Companies Act, 2002.

Approval of financial statements

The financial statements of TOL Gases Limited, as identified in the first paragraph, were approved, and authorised for issue by the Directors on ...*27th June*... 2024.



.....
Mr. Leonard C. Kitoka
Director



.....
Mr. Harry Kitilya
Chairman

TOL GASES LIMITED

**DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2023**

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 a Statement of Declaration issued by the Head of Finance 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 financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors' Responsibilities' statement on an earlier page.

I, **Evarist Tilafu**, being the Head of Finance of TOL Gases Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2023 have been prepared in compliance with the applicable accounting standards and statutory requirements.

I thus confirm that the financial statements comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.

Signed by: *EVARIST M. TILAFU*

Position: Head of Finance

NBAA Membership No: *ACPA 57 95*

Date: *27th June 2024*



KPMG
Certified Public Accountants
2nd Floor, The Luminary
Haile Selassie Road, Masaki
P.O. Box 1160
Dar es Salaam, Tanzania

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Internet www.kpmg.com/eastafrica

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") as set out on pages 24 to 67, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2002.

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 International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (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.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TOL GASES LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Revenue recognition	
<i>Refer to the revenue accounting policy Note 5(a) revenue and the revenue Note 7</i>	
Key audit matter	How the matter was addressed in our audit
<p>Revenue of the Company comprises of three categories: industrial and medical gases; related accessories; and installation, and services and amounted to TZS 24,727 million during the year ended 31 December 2023.</p> <p>Revenue is recognized once a proof of delivery to customer and other relevant documentation such as weighbridge documents have been submitted and accepted by the Company; the volumes handled during the year are generally large. Some sales transactions are individually material and require significant judgement such as identification of separate performance obligations (POs) in determining whether performance obligations embedded in the sales contracts have been met at the reporting date given multiple performance obligations in one/single contract.</p> <p>A typical sale contracts has multiple performance obligations listed below that are fulfilled at different times hence significant judgements in determination of the points when the POs is satisfied (control passes to customer) to trigger revenue recognition:</p> <ol style="list-style-type: none"> i. industrial and medical gases – control passes at a point in time; ii. related accessories – control passes at a point in time; and iii. installation and maintenance services – control passes over a period of time as and when the installation and maintenance services are offered. <p>We have determined revenue recognition to be a key audit matter because of multiple POs in a sale contract, judgements made by management in allocating the transaction price to the different POs and the large size of some contracts which required a significant audit effort.</p>	<p>Our audit procedures in this area included:</p> <ul style="list-style-type: none"> — Obtaining a sample and evaluating whether recognized revenue agrees to signed/stamped customer delivery notes and checking that performance obligations were properly identified and evaluated as having been satisfied or met prior to recognising revenue; — Performing cash received to revenue reconciliation by agreeing total cash received during the year against revenue recognised after adjusting for items such value added tax, opening and closing trade receivables and advances from customers; — Evaluating the appropriateness of management's judgment on identification of performance obligations and allocation of contract price to the POs. This included assessing the standalone selling prices and proportionate allocation of the contract price to the POs based on number of manifolds completed; — Assessing the completeness of revenue by inspecting credit notes raised on all revenue categories as well as evaluating sales made near the period end and after period end to assess whether revenue was recognised in the correct accounting period; and — Evaluating the completeness and adequacy of disclosures in the financial statements, especially the revenue recognition policy and judgements made in revenue recognition in accordance with the requirements of IFRS 15 <i>Revenue from Contracts with Customers</i>.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TOL GASES LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (continued)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the *TOL Gases Limited Annual Report and Audited Financial Statements for the year ended 31 December 2023* but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and in the manner required by the Companies Act, 2002, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TOL GASES LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (continued)

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 judgment and maintain professional skepticism 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.
- 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.



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TOL GASES LIMITED (CONTINUED)**

Report on the Audit of the Financial Statements (continued)

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

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

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.

Report on Other Legal and Regulatory Requirements

As required by the Companies Act, 2002 we report to you, solely based on our audit of the financial statements that:

- in our opinion, proper accounting records have been kept by the Company;
- the individual accounts are in agreement with the accounting records of the Company;
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit;
- directors' report is consistent with the financial statements; and
- information specified by the law regarding Directors' emoluments and other transactions with the Company is disclosed.

**KPMG
Certified Public Accountants (T)**

**Signed by Engagement Partner: CPA Alexander Njombe (ACPA 2714)
Dar es Salaam**

Date: 22/06/2024 .

TOL GASES LIMITED

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 TZS '000	2022 TZS '000
Revenue	7	24,727,476	25,558,350
Cost of sales	8	(14,389,404)	(13,746,778)
Gross profit		10,338,072	11,811,572
Other income	9	38,305	161,109
Operating expenses	10	(5,369,552)	(4,631,715)
Trade receivables impairment loss	17	-	(9,544)
Operating profit		5,006,825	7,331,422
Finance income	11(a)	262,688	-
Finance costs	11(b)	(1,491,703)	(1,134,852)
Profit before tax		3,777,810	6,196,570
Income tax expense	22(a)	(1,067,787)	(2,716,334)
Profit for the year		2,710,023	3,480,236
Other comprehensive income		-	-
Total comprehensive income		2,710,023	3,480,236
Earnings per shares (TZS)			
– Basic	26	47.13	60.52
– Diluted		47.13	60.52

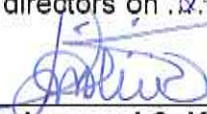
The notes on pages 28 to 67 are an integral part of these financial statements.


Report of the auditor – pages 19 to 23.

TOL GASES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 TZS '000	2022 TZS '000
ASSETS			
Non-current Assets			
Property, plant and equipment	13	38,824,561	36,086,300
Right-of-use assets	14(b)	322,915	328,068
Intangible asset	15	150,186	225,258
		<u>39,297,662</u>	<u>36,639,626</u>
Current assets			
Cash and bank balances	18	6,822	5,098,300
Inventories	16	5,905,373	2,337,579
Trade and other receivables	17	6,095,260	6,879,076
Advances to suppliers	34	432,847	2,370,249
Asset held for sale	19	2,674,275	2,674,275
		<u>15,114,577</u>	<u>19,359,479</u>
TOTAL ASSETS		<u>54,412,239</u>	<u>55,999,105</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	20(a)	5,750,596	5,750,596
Share premium	20(b)	6,762,049	6,762,049
Retained Earnings		12,772,278	12,937,553
		<u>25,284,923</u>	<u>25,450,198</u>
Non-current liabilities			
Long term borrowings	21(a)	6,803,990	8,813,437
Lease liabilities	14(a)	58,676	59,627
Deferred tax liability	22 (c)	4,684,702	3,878,562
		<u>11,547,368</u>	<u>12,751,626</u>
Current liabilities			
Bank overdraft	24	3,233,293	7,350,103
Current portion of borrowings	21(a)	5,868,750	5,192,813
Tax payable	22(b)	956,948	1,004,532
Trade and other payables	23	6,987,338	3,721,310
Lease liabilities	14(a)	11,386	11,386
Cylinder deposits	25	522,233	517,137
		<u>17,579,948</u>	<u>17,797,281</u>
Total liabilities		<u>29,127,316</u>	<u>30,548,907</u>
TOTAL EQUITY AND LIABILITIES		<u>54,412,239</u>	<u>55,999,105</u>

The financial statements on pages 24 to 67 were approved and authorised for issue by the board of directors on 27th June, 2024 and signed by:


Mr. Leonard C. Kitoka
Director


Mr. Harry Kitilya
Chairman

The notes on pages 28 to 67 are an integral part of these financial statements.
 Report of the auditor – pages 19 to 23.

TOL GASES LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital TZS '000	Share premium TZS '000	Retained earnings TZS '000	Total TZS '000
1 January 2022	5,750,596	6,762,049	11,757,384	24,270,029
Profit for the year	-	-	3,480,236	3,480,236
Transactions with the owners of the Company				
Dividends payments	-	-	(2,300,067)	(2,300,067)
At 31 December 2022	<u>5,750,596</u>	<u>6,762,049</u>	<u>12,937,553</u>	<u>25,450,198</u>
1 January 2023	5,750,596	6,762,049	12,937,553	25,450,198
Profit for the year	-	-	2,710,023	2,710,023
Transactions with the owners of the Company				
Dividends payments	-	-	(2,875,298)	(2,875,298)
At 31 December 2023	<u>5,750,596</u>	<u>6,762,049</u>	<u>12,772,278</u>	<u>25,284,923</u>

The notes on pages 28 to 67 are an integral part of these financial statements.

Report of the auditor – pages 19 to 23.

TOL GASES LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023 TZS '000	2022 TZS '000
OPERATING ACTIVITIES:			
Profit for the year		2,710,023	3,480,236
Adjustment for non-cash items:			
Depreciation	13	2,690,235	2,444,821
Depreciation of right-of-use assets	14(b)	5,153	7,057
Amortisation of intangibles	15	75,072	74,889
Interest expense on bank loan and overdraft	11	1,452,737	1,090,890
Interest expense on lease liability	11	11,135	11,198
Impairment loss in trade receivables		-	9,544
Gain on disposal of fixed assets		(38,305)	(55,941)
Unrealised foreign exchange gain on cash		(71,306)	2,080
Tax expense		1,067,787	2,716,334
		<u>7,902,531</u>	<u>9,781,108</u>
Changes in working capital			
Inventories		(3,567,794)	1,751,941
Trade and other receivables		783,816	(1,868,770)
Cylinder deposits		5,096	19,673
Advances to suppliers		1,937,402	(1,447,172)
Trade and other payables		3,266,028	1,605,691
Cash generated from operating activities		<u>10,327,079</u>	<u>9,842,471</u>
Corporate tax paid	22(b)	(309,231)	(1,429,836)
Interest paid – loan and bank overdraft		(1,452,737)	(1,090,890)
Interest paid – lease liability		(11,135)	(11,198)
Net cash flows generated from operating activities		<u>8,553,976</u>	<u>7,310,547</u>
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	13	(5,428,496)	(11,156,438)
Proceeds from sale of property, plant and equipment		38,305	55,941
Purchase of intangible assets		-	(3,669)
Net cash flows used in investing activities		<u>(5,390,191)</u>	<u>(11,104,166)</u>
FINANCING ACTIVITIES:			
Proceeds from borrowings	21	3,000,000	-
Repayment of borrowings	21	(4,333,510)	(468,750)
Dividends paid		(2,875,298)	(2,300,067)
Payment of principal portion of lease liabilities	14(d)	(951)	(189)
Net cash flows used in financing activities		<u>(4,209,759)</u>	<u>(2,769,006)</u>
Net decrease in cash and cash equivalent		(1,045,974)	(6,562,625)
Cash and cash equivalents at 1 January		(2,251,803)	4,312,902
Effects of movements in exchange rates on cash held		71,306	(2,080)
Cash and cash equivalents at 31 December	18	<u>(3,226,471)</u>	<u>(2,251,803)</u>

The notes on pages 28 to 67 are an integral part of these financial statements.
Report of the auditor – pages 19 to 23.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. CORPORATE INFORMATION

The Company is incorporated in Tanzania under the Companies Act Cap.212 (Now Companies Act, No. 12 of 2002). The Company is listed on Dar es Salaam Stock exchange.

The principal activity of the Company is production and distribution of industrial gases, medical gases and related accessories. The registered address is P.O. Box 911, plot number 4, Nyerere Road, Dar es Salaam.

2. BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies Act, 2002. They were authorized for issue by the Company's Board of Directors on 27th June, 2024.

The financial statements have been prepared on a historical cost basis, except where fair value measurements have been applied.

The financial statements are presented in Tanzanian Shillings (TZS) which is also the Company's functional currency. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in the Tanzanian shillings, which is the Company's functional and presentation currency rounded to the nearest Tanzanian million shillings, unless otherwise indicated.

b) Going concern

As at 31 December 2023, the Company's current liabilities exceeded its current assets by TZS 2,465 million mainly due to the fact that some borrowings are maturing in less than a year. To further strengthen its profitability the Company has made a strategic financial arrangement to support its growth initiatives. Subsequent to the year-end, the Company obtained one-year grace period on the DTB term loan facilities as well as renewal of existing bank overdraft when it becomes due during 2024. This provides some breathing room for financing the required fleet, which is crucial for integrating the additional volume from the new CO2 plant into the market and ensuring that the Company will have sufficient funds to meet its financial obligations when they fall due. Additionally, the completion of the government project for supplying, installing, and commissioning Manifold Systems for health facilities in Mainland Tanzania is a significant achievement, not just in terms of fulfilling a government contract but also in generating substantial additional revenue of TZS 2.9 billion in 2024.

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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. CHANGES IN MATERIAL ACCOUNTING POLICIES

New standards, amendments and interpretations effective and adopted during the year ended 31 December 2023.

Changes resulted from the new or revised standards, interpretations, amendments to the existing standards, interpretations, and improvements to the IFRS Accounting Standards that became effective during the year did not have any impact on the accounting policies, financial position, or performance of TOL Gases Limited.

New currently effective standards/amendments

- Definition of Accounting Estimates – Amendments to IAS 8.
- Disclosure Initiative: Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12.

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to estimates are recognized prospectively.

a) Judgements, assumptions and estimation uncertainties

Information about judgements made in applying accounting policies including estimates and assumptions that have the most significant effects on the amounts recognized in the financial statements and significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Taxes

Significant assumptions are required in determining the Company's overall income tax provision. There are many transactions and calculations, for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues, based on estimates of whether additional taxes will be due. When the final outcome of tax matters is different from the amounts that were initially recorded, such differences will have an impact on the current and any deferred income tax provisions in the period in which the determination is made.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

a) Judgements, assumptions and estimation uncertainties (continued)

Asset useful lives and residual values

The useful lives and residual values of items of property, plant and equipment as disclosed in Note 5 (c) of these financial statements are estimated annually and are in line with the rate at which they are depreciated.

Asset held for sale.

Assessing whether some items of PPE qualify to be classified as assets held for sale in line with requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Revenue recognition

Identification of separate performance obligations in determining whether performance obligations embedded in the sales contracts have been met and allocation of the transaction price to the different Performance obligations.

Impairment of non-financial assets

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

Going concern

Whether there are material uncertainties that may cast significant doubt on entity's ability to continue as a going concern as disclosed in Note 2 (b) of these financial statements.

Measurement of ECL allowance for trade receivable

The Company estimates expected credit loss by assessing the loss that will be incurred given customer default based on past payment experience and by assessing the probability of default taking into account information specific to the customer as well as pertaining to the country and economic environment in which the customer operates. The estimate also incorporates forward looking data.

Lease term

In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Company to exercise the option.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

a) Judgements, assumptions and estimation uncertainties (continued)

Lease term (continued)

The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Company's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

b) Determination and measurement of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Further information about the assumptions made in determining fair values are disclosed in the notes specific to that asset or liability.

The Company has an established control framework with respect to the measurement of fair value. This includes a management team that monitors need for fair valuation and sources for experts that will perform the valuation.

When measuring the fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows.

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observed for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobserved inputs)

If the input used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Fair value disclosure is made in Note 30 to the financial statements.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL 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.

a) Revenue recognition

Revenues from operations consist of revenue from sale of goods and services. Revenue represents income arising in the course of an entity'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. Upon delivery of goods or services to the respective customers, a delivery note is signed by both parties which serves as evidence of satisfaction of performance obligation. The Company applied the portfolio approach in assessing the contracts. Revenue is stated net of value-added tax (VAT).

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 as follows:

- Identify the contract with a customer.
- Identify the performance obligation in the contract.
- Determine the transaction price.
- Allocate the transaction price to performance obligation in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Refer to Note 7 to the financial statements for revenue recognition policy of each stream of revenue of the Company.

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.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

a) Revenue recognition (continued)

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.

b) Interest and similar income and expenses

Interest income and expense

For all financial instruments measured at amortized cost, 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.

Foreign exchange gain and 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'.

Gain or loss on disposal of property plant and equipment

Gain or losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are recognized within other operating (losses)/income in the profit and loss account.

c) Property, plant and equipment

Property, plant and equipment are tangible assets which the Company holds for its own use or for rental to others and which are expected to be used for more than one year.

Recognition and measurement

Items of equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

c) Property, plant, and equipment (continued)

Recognition and measurement (continued)

attributable to bringing the asset to the working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as incurred.

Subsequent cost

Expenditure incurred subsequently for major services, additions to, major renovations or replacements of parts of property, plant and equipment are recognised in the carrying amount of the item if it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost can be measured reliably and are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner.

All other repairs and maintenance expenditure and day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful life of each part of an item of equipment. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Depreciation is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

<u>Description</u>	<u>Rate (%)</u>
Buildings	2
Plant and Machinery	5 - 10
Cylinders	4
Office Equipment	10 - 33
Motor Vehicles	20 - 25

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the asset is derecognised.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

d) 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 (qualifying assets) 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.

e) Intangible assets

Recognition and measurement

Intangible assets comprise the cost of acquired computer software and programmes. Expenditure on acquired computer software and programmes is capitalised and measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Current intangible assets which comprise of computer software is amortised over 5 years.

f) 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.

At every reporting date, the Company assesses potential provision for which obsolete items mainly relate to materials or spares which have no further use due to obsolescence, technological changes or other factors. Whenever there are indicators for obsolescence, the Company reflects the respective adjustments in profit and loss.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

g) Employees' benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plan

All of the Company's employees are members of the National Social Security Fund ("NSSF"), which is a defined contribution plan as prescribed by the law. The Company and employees both contribute 10% each or 15% by the Company and 5% by employees, from the permanent and pensionable employees' basic salaries to the scheme. The Company also contributes 10% of non-permanent and pensionable employees' gross salary towards NSSF. The contribution is charged to the profit or loss account when incurred.

Terminal benefits

Terminal benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange of these benefits. The Company recognizes terminal benefits when it is constructive obliged to either terminate the employment formal plan without possibility of withdrawal or to provide terminal benefits because of an offer made to encourage voluntary redundancy.

h) 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 with an insignificant risk of changes in value. 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.

i) Impairment of non-financial assets

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

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

i) Impairment of non-financial assets (Continued)

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. 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 are generally covering a period of five years.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized 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 recognized 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 recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit and loss account.

j) Taxes

Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or OCI.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. The current rate of corporate tax is 30%.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

j) Taxes (continued)

Deferred tax (Continued)

- temporary differences related to investments in associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Value added tax

Revenues, expenses and assets are recognized at amounts net of value added tax except where the value added tax is incurred on a purchase of an asset or service is not recoverable from the taxation authority in which case the value added tax is recognized as part of the cost of acquisition of the asset or part of the expense item as applicable.

The net amount of value added tax recoverable from, or payable to, the tax authority is included as part of the receivables or payables in the balance sheet.

Capital gain taxes

Capital gain taxes arising as result of a change in control at the ultimate Parent Company level are recognized as tax liabilities in Company's books as other payables to revenue Authorities and other receivable from the parent Company.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

j) Taxes (continued)

Tax exposures

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

k) Financial instruments

i. Recognition and measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition or issue (for an item not recognised at fair value through profit or loss (FVTPL)). A trade receivable without a significant financing component is initially measured at the transaction price.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through other comprehensive income (FVOCI - debt investment; FVOCI - equity investment); or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

ii. *Classification and subsequent measurement (continued)*

Financial assets (continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

ii. *Classification and subsequent measurement (continued)*

Financial assets - Business model assessment (Continued)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition'. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Impairment of financial assets and contract assets

An 'expected credit loss' (ECL) model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive.

Loss allowances for trade receivables is measured at an amount equal to lifetime ECLs (simplified approach). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 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.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days for credit customers. The Company considers reasonable and supportable forward-looking information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment. Example of micro economic factors considered include changes in inflation rate, Gross Domestic Product (GDP) rate and interest rates. In calculation of ECL using simplified approach, the Company uses historical loss rate adjusted with forward-looking information where relevant.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised accordance with the requirement of IFRS 9.

iv. Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred;
 - or
 - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

iv. Derecognition (continued)

Financial assets (Continued)

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

v. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

l) 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 given to customers with the product who in turn 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.

m) 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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

m) Foreign currency translation (continued)

Transactions and balances (Continued)

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.

n) Leases

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Leases in which the Company is a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right of use asset and lease liability at the lease commencement date. The right of use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right of use asset reflects that the Company will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of the property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determined its incremental borrowing rate by obtaining interest rates from various external financing sources.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

n) Leases (continued)

Leases in which the Company is a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period of the Company is reasonably certain to exercise an extension option, and penalties for early termination of lease unless the
- Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable, under a residual guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Company presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities separately in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right of use assets and lease liabilities for leases of low value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

o) Share capital and equity

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

p) Provisions

Provisions are recognized when: The Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

p) Provisions (Continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

q) Foreign currencies

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Tanzanian Shillings at rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss within 'other operating income' or 'other operating expenses'.

r) Dividend distribution

It is the Company's policy to pay dividends to its shareholders based on the assessment of the directors on the company's financial situation, its future needs for investment and subject to declaration by the directors and approval. Final dividends distribution to the Company's shareholders is recognized as a liability in the Company's balance sheet in the period in which the dividends are approved by the Company's Board of Directors. Dividends are subject to a withholding tax of 5%. The directors do not recommend payment of dividend for 2023 (2022: TZS 2.8 billion). Dividend paid is classified under financing activities in the statement of cash flows.

s) Basic and Diluted earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible non-cumulative redeemable preferences shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

t) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

5. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

t) Non-current assets held for sale (Continued)

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

6. SEGMENT REPORTING

The Managing Director is the Company's chief operating decision-maker. The Managing Director considers the business from a geographic and product perspective. The performance of operations are considered in aggregate due to centralized nature of the Company's business. Therefore, the Company does not have reportable segments. All Company's business activities and operations have not been disaggregated into different segments as such all operating activities, financial results, forecasts, or plans are not tracked or assessed as different components since the Company operates from one strategic location. Based on this, there is no separate segmental reporting.

	2023	2022
	TZS '000	TZS '000
7. REVENUE FROM CONTRACTS WITH CUSTOMERS		
Industrial and medical gases	21,239,641	19,438,172
Accessories	526,085	2,171,178
Installation and services	2,961,750	3,949,000
	<u>24,727,476</u>	<u>25,558,350</u>
Contract balances		
Trade receivables – Note 17	5,908,063	6,538,305
Advances from customers – Note 23	1,097,368	2,108,193

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

7. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Performance obligation and revenue recognition policies of major items of revenue

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Industrial and medical gases	Customers obtain control of industrial gases when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30 days.	Revenue is recognised when the industrial and medical gases are delivered and have been accepted by customers at their premises.
Accessories	Customers obtain control accessories when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable on demand and for some customers, within 30 days.	Revenue is recognised when the accessories are delivered and have been accepted by customers at their premises.
Installation	The Company installs manifold systems in public and private hospitals based on their designs and on their land. Each project commences on receipt of advance payment from a customer and its length depends on the complexity of the design. However, projects usually do not extend beyond twelve months.	Revenue is recognised after the completion of installation of a manifold unit system at a hospital.
Services	The Company provides maintenance services to the installed manifold systems in public and private hospitals. Invoices are issued monthly and are usually payable within 30 days.	Revenue is recognised over time as the services are provided. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated based on their relative stand-alone selling prices. The stand-alone selling price is determined based on the list prices at which the Company sells the services in separate transactions.

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

8. COST OF SALES	2023	2022
	TZS '000	TZS '000
Direct Cost		
Raw material	3,075,282	3,928,879
Direct labour (Note 12)	1,740,365	1,415,943
Transport costs	4,123,560	3,605,224
Depreciations of assets involved in the production	2,474,052	2,280,755
Other cost of sales	1,482,553	1,311,719
Electricity and generator	1,493,592	1,204,258
	<u>14,389,404</u>	<u>13,746,778</u>

The makeup of the direct cost consists of TZS 2,474 million (2022: TZS 2,281 million) which is part of the total depreciation cost of TZS 2,690 million (2022: TZS 2,445 million) as disclosed on the note 13. This depreciation is directly associated with the production.

9. OTHER INCOME	2023	2022
	TZS '000	TZS '000
Interest, installation and fixing of plants*	-	105,168
Gain on sale of fixed assets	38,305	55,941
	<u>38,305</u>	<u>161,109</u>

* Interest, installation and fixing of the plants is related to interest income received from fixed deposits as well as other ad-hoc services provided to customers.

10 OPERATING EXPENSES	2023	2022
	TZS '000	TZS '000
External audit fees	70,000	70,000
Legal and professional fees	344,347	396,828
Depreciation	216,715	164,066
Depreciation on Right of use asset	5,153	7,057
Amortisation	75,072	74,889
Staff cost (Note 12)	3,335,762	2,715,610
Bank charges	139,429	17,512
Administration cost	1,183,074	1,185,753
	<u>5,369,552</u>	<u>4,631,715</u>

The depreciation cost of TZS 216 million (2022: TZS 164 million) is part of the total depreciation cost of TZS 2,690 million (2022: TZS 2,445 million) as disclosed on the note 13.

11a. FINANCE INCOME	2023	2022
	TZS '000	TZS '000
Net foreign exchange gain	262,688	-
11b. FINANCE COSTS		
Interest expense on lease liabilities (Note 14(c))	11,135	11,198
Interest expense on bank loan (Note 21)	834,687	909,191
Interest expense on bank overdraft	618,050	181,699
Fees and commissions	27,831	31,099
Net foreign exchange loss	-	1,665
	<u>1,491,703</u>	<u>1,134,852</u>

*Interest expense on bank loan and overdraft is TZS 1,452,737,000 (2022: TZS 1,090,890,000).

TOL GASES LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	2023	2022
	TZS '000	TZS '000
12. STAFF COST		
Salaries and wages	2,841,537	2,535,691
Statutory deductions	122,969	118,657
Defined benefit contribution expense - NSSF	391,540	381,543
Staff bonus	600,000	-
Medical expenses	322,237	239,724
Gratuity	198,234	289,010
Other staff costs*	599,610	566,928
	<u>5,076,127</u>	<u>4,131,553</u>
Direct labour	1,740,365	1,415,943
Operating expenses	3,335,762	2,715,610
	<u>5,076,127</u>	<u>4,131,553</u>

*Other staff costs consist of costs such as transportation costs, uniforms, trainings, and food that is provided to all staff without discrimination given to staff.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

13. PROPERTY, PLANT AND EQUIPMENT

	Land TZS'000	Building TZS'000	Plant & machinery TZS'000	Cylinders TZS'000	Motor vehicles TZS'000	Office equipment TZS'000	Work in progress TZS'000	Total TZS'000
Cost								
At 1 January 2022	448,963	3,378,150	23,471,142	5,550,540	9,320,063	1,279,724	364,077	43,812,659
Additions*	-	-	205,652	685,043	2,416,073	116,758	8,179,768	11,603,294
Disposal	-	-	-	-	(297,761)	-	-	(297,761)
At 31 December 2022	448,963	3,378,150	23,676,794	6,235,583	11,438,375	1,396,482	8,543,845	55,118,192
At 1 January 2023	448,963	3,378,150	23,676,794	6,235,583	11,438,375	1,396,482	8,543,845	55,118,192
Additions	-	33,136	270,715	118,904	742,277	34,551	4,228,913	5,428,496
Reclassification	-	2,983,440	7,837,400	-	845,484	-	(11,666,324)	-
Disposal	-	-	-	-	(307,114)	-	-	(307,114)
At 31 December 2023	448,963	6,394,726	31,784,909	6,354,487	12,719,022	1,431,033	1,106,434	60,239,574
Accumulated depreciation								
At 1 January 2022	-	629,701	6,541,380	1,779,520	6,972,450	961,781	-	16,884,832
Charge for the year	-	65,806	1,074,746	211,749	975,856	116,664	-	2,444,821
Disposal	-	-	-	-	(297,761)	-	-	(297,761)
At 31 December 2022	-	695,507	7,616,126	1,991,269	7,650,545	1,078,445	-	19,031,892
At 1 January 2023	-	695,507	7,616,126	1,991,269	7,650,545	1,078,445	-	19,031,892
Charge for the year	-	70,838	1,113,079	239,209	1,113,181	153,928	-	2,690,235
Disposal	-	-	-	-	(307,114)	-	-	(307,114)
At 31 December 2023	-	766,345	8,729,205	2,230,478	8,456,612	1,232,373	-	21,415,013
Carrying value								
At 31 December 2023	448,963	5,628,381	23,055,704	4,124,009	4,262,410	198,660	1,106,434	38,824,561
At 31 December 2022	448,963	2,682,643	16,060,668	4,244,314	3,787,830	318,037	8,543,845	36,086,300

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Work in progress balance includes costs incurred to purchase and install CO2 storage tankers. The installation of the CO2 storage tankers was yet to be completed as at 31 December 2023.

There are assets included within Property, plant and equipment which are securities for the loans acquired by the Company. Refer Note 21(b). The Aspen 1000 plant with a carrying amount of TZS 2.67 billion has been reclassified as held for sale following the Company's decision of replacing it with a new plant.

*For the purpose of cash flows statement, cash used in prior year PPE additions is TZS 11,156,438,000. Out of TZS 11,603,294,000 prior year additions balance on PPE, TZS 446,856,000 was non-cash, relating to 2022 non-current advances to suppliers.

14. LEASES

i. Leases as lessee (IFRS 16)

The Company's leases relate to land. Further information about leases for which the Company is a lessee is presented below.

a) Lease liabilities

	2023	2022
	TZS '000	TZS '000
Lease liability movement		
Opening balance of lease liability (1 January)	71,013	71,202
Interest expense	11,135	11,198
Repayments	(12,086)	(11,387)
	<u>70,062</u>	<u>71,013</u>
Lease liability classification		
Current portion	11,386	11,386
Non-current portion	58,676	59,627
	<u>70,062</u>	<u>71,013</u>

b) Right-of-use assets

	2023	2022
	TZS '000	TZS '000
Cost		
Balance at 1 January	425,762	425,762
Additions	-	-
At 31 December	<u>425,762</u>	<u>425,762</u>
Depreciation		
At 1 January	(97,694)	(90,637)
Charge for the year	(5,153)	(7,057)
At 31 December	<u>(102,847)</u>	<u>(97,694)</u>
Net carrying account	<u>322,915</u>	<u>328,068</u>

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

14. LEASES (CONTINUED)

i. Leases as lessee (IFRS 16) (continued)

c) Amounts recognised in profit or loss

	2023	2022
	TZS '000	TZS '000
Leases under IFRS 16		
Interest on lease liabilities	11,135	11,198
Depreciation of right of use assets	5,153	7,057

d) Amounts recognised in statement of cash flows

	2023	2022
	TZS '000	TZS '000
Within operating cash flows (interest on lease liabilities)	11,135	11,198
Within financing cash flows (payment of principal lease liabilities)	<u>951</u>	<u>189</u>

15. INTANGIBLE ASSETS

	2023	2022
	TZS' 000	TZS' 000
Cost		
At 1 January	547,162	543,493
Additions	-	3,669
31 December	<u>547,162</u>	<u>547,162</u>
Accumulated amortization		
At 1 January	321,904	247,015
Charge for the year	75,072	74,889
31 December	<u>396,976</u>	<u>321,904</u>
Net carrying amount	<u>150,186</u>	<u>225,258</u>

The intangible asset consists of computer software. The amortisation of intangible asset has been disclosed under operating expense (Note 10).

16. INVENTORIES

	2023	2022
	TZS '000	TZS '000
Raw materials	1,401,541	1,174,874
Finished goods	19,687	21,700
Welding and medical machines equipment	4,516,363	1,173,223
Less: Inventory provision	<u>(32,218)</u>	<u>(32,218)</u>
	<u>5,905,373</u>	<u>2,337,579</u>

In 2023, inventories of TZS 3,075 million (2022: TZS 3,929 million) were recognised as an expense during the year and included in cost of sales.

Inventories are not pledged as security.

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

16. INVENTORIES (CONTINUED)

Movement on the provision for impairment of inventories is as follows:

	2023	2022
	TZS '000	TZS '000
At 1 January	32,218	32,218
Charge for the year	-	-
At 31 December	<u>32,218</u>	<u>32,218</u>

17. TRADE AND OTHER RECEIVABLES

	2023	2022
	TZS' 000	TZS' 000
Trade receivables	5,908,063	6,538,305
Expected credit loss	(438,935)	(438,935)
Total trade receivables	<u>5,469,128</u>	<u>6,099,370</u>
Staff and other receivables	101,044	142,093
VAT receivable	-	46,777
Prepayments	525,088	590,836
Total trade and other receivables	<u>6,095,260</u>	<u>6,879,076</u>

Trade receivables are non-interest bearing and are generally on 30-90 days terms. As at 31 December 2023 trade receivables amounting to TZS 438.9 million (2022: TZS 438.9 million) were impaired and fully provided for. Movement on the provision for expected credit loss:

	2023	2022
	TZS' 000	TZS' 000
At 1 January	438,935	429,391
Charge for the year	-	9,544
At 31 December	<u>438,935</u>	<u>438,935</u>

No additional loss allowance has been recognised during the year (2022: 9,544,000) as the additional loss predicted by ECL model was immaterial.

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

	2023	2022
	TZS' 000	TZS' 000
Amount is in TZS	<u>121,875</u>	<u>497,857</u>
	<u>121,875</u>	<u>497,857</u>

18. CASH AND CASH EQUIVALENTS

Cash in hand	309	10,669
Cash at Bank	6,513	5,087,631
	<u>6,822</u>	<u>5,098,300</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

18. CASH AND CASH EQUIVALENTS (CONTINUED)

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

	2023 TZS' 000	2022 TZS' 000
Cash at banks and on hand	6,822	5,098,300
Bank overdrafts (Note 24)	(3,233,293)	(7,350,103)
	<u>(3,226,471)</u>	<u>(2,251,803)</u>

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

	2023 TZS' 000	2022 TZS' 000
(EURO):		
Amount is in TZS	<u>369</u>	<u>318</u>
(USD):		
Amount is in TZS	<u>3,732</u>	<u>20,142</u>

19. ASSETS HELD FOR SALE

In 2019, the Board of Directors committed to a plan to sell an Aspen 1000 plant and replace it with another new Air Separation Unit (ASU), which is more effective compared to the current and foreseeable demand in the market.

In line with IFRS Accounting Standards, management has done impairment assessment to check whether the value of the asset as shown in the statement of financial position at reporting date exceeds its recoverable amount.

There has been different potential buyers and the Company is actively marketing the plant and is aggressively looking to sell the plant at the earliest. It is highly probable that sale of this property will be concluded by end of 31 December 2024. As at 31 December 2023, the asset meets the conditions for being qualified as held for sale.

20. SHARE CAPITAL AND RESERVES

	2023 TZS '000	2022 TZS '000
a) Share Capital		
Authorized		
60 million Ordinary Shares of TZS 100 each	<u>6,000,000</u>	<u>6,000,000</u>
Issued and fully paid		
57,505,963 (2022: 57,505,963) Ordinary Shares of TZS 100 each	<u>5,750,596</u>	<u>5,750,596</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally regarding the Company's residual assets.

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

20. SHARE CAPITAL AND RESERVES (CONTINUED)

	2023	2022
	TZS '000	TZS '000
b) Share Premium		
57,505,963 (2022: 57,505,963) Ordinary shares	<u>6,762,049</u>	<u>6,762,049</u>

The share premium of TZS 6.762 million was realised in the initial public offering made in 1998 and right issues made to 2014. There were no changes in the share premium during the year.

21. LOANS AND BORROWINGS

DTB loan facility

The Company obtained a term loan facility amounted to TZS 14.475 billion from Diamond Trust Bank for paying off the Absa Bank Tanzania Limited and CRDB Bank PLC loan facility amounting to TZS 7.5 billion at a time of repayment. The remaining balance of TZS 6.975 billion was used to finance acquisition of a new carbon dioxide plant and improve the distribution fleet for CO₂. The loan was secured on 11 August 2021 and is to be repaid in sixty (60) equal monthly instalments. Interest rate is 12.75%, accrues daily and paid monthly in arrears with a grace period of one year. During the year the company converted its temporary overdraft of TZS 3 billion into a short-term loan.

	2023	2022
	TZS '000	TZS '000
At 1 January	14,006,250	14,475,000
Received during the year	3,000,000	-
Interest	834,687	909,191
Repayment of interest	(834,687)	(909,191)
Repayment of principal	(4,333,510)	(468,750)
As at 31 December	<u>12,672,740</u>	<u>14,006,250</u>
Long term portion	6,803,990	8,813,437
Current portion	5,868,750	5,192,813
Total loan	<u>12,672,740</u>	<u>14,006,250</u>

The Securities for the loans include:

- (i) First legal and continuous mortgage charge over the property with Title no. 186068/25, L.O No. 28248, Plot No.4, Pugu industrial Area in the name of TOL Gases Limited.
- (ii) First legal and continuous mortgage charge over the property with Title no. 937 MZLR L.O. No.67760, Plot No.41, Nyakato industrial Area, Mwanza and Title no. 8883, L.O.No.135720 Plot No.43, Industrial Area, Nyakato, Mwanza in the same name of TOL Gases Limited
- (iii) First legal and continuous mortgage charge over the property with Title No. 3064 L.O.No.137662 Plot No.1, Kyejo Busokelo Division, Rungwe in the name of TOL Gases Limited
- (iv) First legal and continuous mortgage charge over the property with Title No. 1432 MB YLR, L.O No.174895, Farm No.1124, Ilenge Village, Rungwe District in the name of TOL Gases Limited

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

21. LOANS AND BORROWINGS (CONTINUED)

DTB loan facility (Continued)

The Securities for the loans include: (Continued)

- (v) Specific Debenture of the Plant and Machinery on properties on Plot No.4, Pugu Industrial Area in the name of TOL Gases Limited Plot No.4 and 43, industrial Area, Nyakato Mwanza in the name of TOL Gases Limited
- (vi) Specific Debenture for new Plant for (CO₂) to be part financed by the bank in the name of TOL Gases Limited (To be charged for TZS 17,675,000,000/- plus Interest and Other Charges)
- (vii) Fixed and Floating Debenture over all current and future assets of TOL gases Limited (To be charged for TZS 17,675,000,000/- plus Interest and Other charges)

22. TAXATION

a) Income tax expense

	2023	2022
	TZS '000	TZS '000
Current tax – current year	261,647	1,602,304
Current tax – prior years	-	623,088
Deferred tax – current year	924,653	380,022
Deferred tax – prior year	(118,513)	110,920
Income tax reported in the statement of profit or loss	<u>1,067,787</u>	<u>2,716,334</u>

A reconciliation between tax expense and accounting profit multiplied by Tanzania Corporate tax for the year ended 31 December 2023 and 2022 as follow:

	2023	2022
	TZS '000	TZS '000
Accounting before income tax	3,777,810	6,196,570
At Tanzania's statutory income tax rate 30% (2022: 30%)	1,133,343	1,858,971
Tax effect of penalty/interest	-	60,739
Tax effect of disallowed expenses	52,957	57,292
Other	-	5,324
Under provision of prior years' current taxes	-	623,088
(Over) / Under provision of prior year deferred taxes	(118,513)	110,920
	<u>1,067,787</u>	<u>2,716,334</u>

b) Tax payable.

Balance at 1 January	1,004,532	208,976
Tax charge for the year	261,647	2,225,392
Withholding tax utilised	(179,231)	(87,383)
Repayment made	(130,000)	(1,342,453)
	<u>956,948</u>	<u>1,004,532</u>

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

22. TAXATION (CONTINUED)

Tax assessments have been made up to 2019. The Tax authority has up to five (5) years to make final assessment.

c) Deferred Tax

	At 31 Dec 2022 TZS '000	Recognised in profit or loss TZS '000	At 31 Dec 2023 TZS '000
Accelerated depreciation for tax purposes	4,038,145	847,107	4,885,252
Unrealised exchanges gain	-	78,805	78,805
Inventory provision	(9,665)	-	(9,665)
Provision for expected credit loss	(131,681)	-	(131,681)
IFRS 16 Adjustments	(18,237)	(1,260)	(19,497)
Prior year adjustment	-	(118,512)	(118,512)
	<u>3,878,562</u>	<u>806,140</u>	<u>4,684,702</u>

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.

During the year ended 31 December 2023, there were no TRA assessments issued to the Company.

23. TRADE AND OTHER PAYABLES

	2023 TZS '000	2022 TZS '000
Trade payables	1,990,303	369,315
Advances from customers	1,097,368	2,108,193
Other payables	1,936,957	504,475
Accrual expenses	682,481	548,753
VAT Payables	465,215	-
Withholding tax payable	259,941	43,575
Statutory deduction (PAYE, SDL, WCF & NSSF)	555,073	146,999
	<u>6,987,338</u>	<u>3,721,310</u>

Terms and conditions of the above financial liabilities:

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

23. TRADE AND OTHER PAYABLES (CONTINUED)

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. The outstanding trade and other payable balance comprise balances denominated in TZS, USD and GBP. Refer Note 29 (foreign currency risk) for the value of trade and other payable balances denominated in GBP and USD.

24. BANK OVERDRAFT

The Company had secured an overdraft facility with DTB Bank of TZS 3.2 billion at an interest rate of 12.75% per annum accruing daily on an outstanding balance and is charged monthly. The overdraft is a revolving facility which is automatically renewable each year.

	2023 TZS '000	2022 TZS '000
Outstanding balance as at 31 December	3,233,293	7,350,103

25. CYLINDER DEPOSIT

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

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

	2023 TZS '000	2022 TZS '000
Balance as at January	517,137	497,464
Deposits made during the year	5,096	36,900
Reallocation	-	(2,784)
Refunds made during the year	-	(14,443)
	<u>522,233</u>	<u>517,137</u>

26. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year. There were no transactions leading to dilutive effect.

	2023 TZS '000	2022 TZS '000
Net profit attributable to shareholders	<u>2,710,023</u>	<u>3,480,236</u>
Basic earnings per share (TZS)	<u>47.13</u>	<u>60.52</u>
Basic and diluted earnings per share (TZS)	<u>47.13</u>	<u>60.52</u>

The earning per share above is based on weighted average number of ordinary shares amounting to 57,505,963 as at year end (2022: 57,505,963 shares).

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

27. EMPLOYEES PENSION

The Company operates a defined contribution plan through a pension scheme to which both the employer and employee contribute. Employees are members of the National Social Security Fund (NSSF). The employer and the local employee, each contribute 10% to NSSF each month.

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

	2023	2022
	TZS '000	TZS '000
Total contributions during the year	<u>391,540</u>	<u>381,543</u>

28. RELATED PARTY TRANSACTIONS

The following are the transactions between the Company and its related parties.

Transactions with key management personnel

Key management personnel are described as those persons having authority and responsibility for planning, directing, and controlling the activities of the Company, comprising senior management.

Compensation to key management personnel:

	2023	2022
	TZS '000	TZS '000
Short term benefits	1,767,689	1,528,512

Directors' remuneration

The directors are each entitled to the directors' fees paid annually as follows:

	<u>TZS'000</u>
The Chairman of the Board	9,412
Other directors	7,059

The directors are each also entitled to sitting allowance for every meeting of the Board or its committees as follows:

	<u>TZS'000</u>
The Chairman of the Board	800
Other directors	600

The total remuneration to individual directors, which comprised directors' fees and sitting allowances were as follows:

	2023	2022
Directors	<u>TZS'000</u>	<u>TZS'000</u>
Mr. Michael Shirima	-	18,058
Mr. Harry Kitilya	1,600	-
Mr. Simon Mponji	11,459	6,400
Mr. Justin Massawe	11,259	3,200

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

28. RELATED PARTY TRANSACTIONS(CONTINUED)

Transactions with key management personnel (continued)

	2023	2022
	<u>TZS'000</u>	<u>TZS'000</u>
Directors		
CPA. Selestine Some	16,435	15,908
Prof Abraham Temu	12,459	6,000
Eng. Joseph Machange	10,659	5,400
CPA. Leonard K. Chacha	12,059	3,000
Ms. Tunu Kinabo	1,200	-
	<u>77,130</u>	<u>57,966</u>

Directors' interest in the shares of the Company

Directors representing shareholders has interest in issued and fully paid-up shares of the Company as shown below:

<u>Name</u>	<u>Shares</u>	<u>Shares</u>
	2023	2022
1 Michael Shirima	1,680,405	1,680,405
2 Joseph C. N. Machange	1,029,584	1,029,584
3 Justine Massawe	400,100	400,100
4 Simon Mponji	44,851	44,851
5 Prof. Abraham K. Temu	10,075	10,075
6 Mr. Leonard K. Chacha	200	200

Payables to related parties

	2023	2022
	<u>TZS'000</u>	<u>TZS'000</u>
Short-term benefits payable to key management personnel	(231,574)	(142,977)
Directors' fees payable	(94,118)	(51,765)
	<u>(325,692)</u>	<u>(194,742)</u>

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise of trade payables, overdrafts, and borrowings. The Company does not enter derivative transactions for trading or other purposes. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from its operations.

The Company's activities expose it to a variety of financial risks; foreign currency, credit and liquidity risks. The Company's overall risk management programme seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the management on behalf of the Board of Directors. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency mostly US dollars, British Pounds, and EURO).

The Company manages its foreign exchange risk by forecasting the amount of foreign currencies they require and hold an equivalent amount in foreign currencies (US dollar, British Pounds and EURO). As at 31 December 2023, the balances denominated in foreign currencies were as Shown on the table below:

Balances denominated in foreign currencies	2023			2022		
	TZS '000 USD	TZS '000 EUR	TZS '000 GBP	TZS '000 USD	TZS '000 EUR	TZS '000 GBP
Cash and bank balances	3,732	369	-	20,142	318	-
Trade and other receivables	121,875	-	-	497,857	-	-
Trade and other payables	(2,912)	-	(454,718)	-	-	-
Net exposure	122,695	369	(454,718)	517,999	318	-

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar, British Pounds and Euro exchange rates, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and monetary liabilities).

The Company's exposure to foreign currency changes for all other currencies is not material.

	Effect on profit and loss TZS '000	Effect on equity (net of tax) TZS '000
2023		
USD (10% movement)	12,270	8,589
EUR (10% movement)	37	26
GBP (10% movement)	(45,472)	(31,830)
2022		
USD (10% movement)	51,800	36,260
EUR (10% movement)	32	22
GBP (10% movement)	-	-

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Interest rate risk

In broad terms the interest rate risk is the risk that concerns the sensitivity of the Company's financial performance to changes in the interest rates. The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Company's business strategies to minimise interest risk. The Company had limited exposure to interest rate risks as at 31 December 2023 since the interest on outstanding loans is fixed (2022: fixed rates).

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding. The Company aims at maintaining flexibility in funding and aggressive collection efforts in respect of trade debtor's balances. Management monitors rolling forecasts of the Company's liquidity i.e. cash at bank and in hand (note 18) on the basis of expected cash flows.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months approximate their fair values as the impact of discounting is not significant. Borrowing's interest rate approximates the market rate.

	Carrying amount	Un-discounted contractual cash flows	Less than 1 year	More than 1 year
	TZS '000	TZS '000	TZS '000	TZS '000
31 December 2023				
Lease liabilities*	70,062	528,720	11,386	517,334
Trade and other payables**	4,609,741	4,609,741	4,609,741	-
Cylinder deposits	522,233	522,233	522,233	-
Bank overdrafts	3,233,293	3,233,293	3,233,293	-
Borrowings	12,672,740	14,485,698	6,870,809	7,614,889
	21,108,069	23,379,685	15,247,462	8,132,223
31 December 2022				
Lease liabilities	71,013	540,106	11,386	528,720
Trade and other payables*	1,422,543	1,422,543	1,422,543	-
Cylinder deposits	517,137	517,133	517,133	-
Bank overdrafts	7,350,103	7,350,103	7,350,103	-
Borrowings	14,006,250	17,542,542	5,305,296	12,237,246
	23,367,046	27,372,427	14,606,461	12,765,966

* Included under lease liabilities are leasehold land with lease terms ending between 2028 and 2106 whose carrying amounts varies significantly from the undiscounted cashflows presented herewith.

** Excludes advances from customers, VAT payable, withholding tax payable and statutory deductions.

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company extension of credit to its customers. For risk management reporting purposes, the Company considers all elements of credit risk exposure such as individual obligator default risk, nature of customer and sector risk.

The carrying amount of financial assets represents the maximum credit exposure. The table below summaries the maximum credit exposure as at the reporting date.

	2023	2022
	TZS '000	TZS '000
Trade receivables (Note 17)	5,908,063	6,538,305
Staff and other receivables (Note 17)	101,044	142,093
Expected credit loss	(438,935)	(438,935)
Cash at bank (Note 18)	6,513	5,087,631
At 31 December	<u>5,576,685</u>	<u>11,329,094</u>

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in note 7.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days for credit customers. The maximum exposure to credit risk at the

reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security. The expected credit loss on Cash at bank and staff and other receivables is immaterial. The staff and other receivables balance is immaterial. The Company considers the exposure on Cash at bank to be limited as the cash have been deposited on reputable Banks and thus the Management is confident that the amount held with the bank is not exposed to losses.

The movement in the allowance for impairment in respect of trade receivables and contract assets during the year was as follows:

	2023	2022
	TZS '000	TZS '000
Opening balance	438,935	429,391
Net re-measurement of loss allowance	-	9,544
Closing balance	<u>438,935</u>	<u>438,935</u>

As at 31 December 2023, trade receivables of TZS 355 million (2022: TZS 355 million) were individually (specifically) impaired and provided for. The individually impaired receivables mainly relate to customers with disputes since 2011.

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

In the year 2023 the Company has assessed risk clusters based on type of customer and their associated probability of default as detailed below;

Risk cluster	2023				2022			
	Gross TZS '000	Impairment TZS '000	Net TZS '000	Loss rate %	Gross TZS '000	Impairment TZS '000	Net TZS '000	Loss rate %
CO2 Customers	1,705,498	(28,107)	1,677,391	1.6%	2,808,901	(28,107)	2,780,794	1.0%
Government								
Hospitals	3,293,835	(28,296)	3,265,539	0.9%	2,840,135	(28,296)	2,811,839	1.0%
Other Customers	553,525	(27,327)	526,198	4.9%	534,064	(27,327)	506,737	5.1%
Specific impairment				100	355,205	(355,205)		100%
	355,205	(355,205)	-	%			-	
Total	5,908,063	(438,935)	5,469,128	7.4%	6,538,305	(438,935)	6,099,370	6.7%

Strategic, Commercial, operational, and financial risks

Through its risk management system, the Company identified strategic, commercial, operational and financial risks that faces the Company and implement strategies to mitigate the impact of the identified risks. These risks are mitigated by either establishing controls, meeting and discussing issues with customers, improving service delivery, investing and training of staff. These risks are well mitigated and have no significant impact to the financial performance of the Company.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS Accounting Standards 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.

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.

The interest rate per annum on the interest-bearing loan and bank overdraft is fixed at 12.75% for the entire loan period. Changes in inflation rate are minimal in Tanzania and the fixed rates are still in line with market rates as at the year-end.

In the current year the inflation averaged 4.9% (2022: 4.9%). There is no significant change in interest rate for the loans with similar terms and maturities. 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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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 2023 and 31 December 2022.

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. All components of equity are included in the denominator of the calculation. Please see the table below.

At 31 December 2023, the net debt ratio was 39% (2022: 46%).

	2023	2022
	TZS'000	TZS'000
Gross debt		
Interest bearing loans and borrowings	12,672,740	14,006,250
Bank overdraft	3,233,293	7,350,103
Net debt	<u>15,906,033</u>	<u>21,356,353</u>
Equity	25,284,923	25,450,198
Total debt and capital	<u>41,190,956</u>	<u>46,806,551</u>
Debt ratio	39%	46%

32. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2023, 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 REPORTING PERIOD

After the reporting period the company obtained a one-year grace period on the DTB term loan facilities which will provide some breathing room for financing the required fleet for taking the additional volume from the new CO2 plant to the market

34. ADVANCES TO SUPPLIERS

Advances to suppliers comprise of amounts paid to suppliers for the goods and services that are yet to be received or enjoyed by the Company. When such payments are made with respect to supplying non-current assets, the advance to suppliers are classified as non-current assets.

Below is the summary of advances to suppliers as at the year-end:

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

34. ADVANCES TO SUPPLIERS (CONTINUED)

	2023 TZS '000	2022 TZS '000
Advances to suppliers: current portion	432,847	2,370,249
Advances to suppliers: non-current portion	-	-
	<u>432,847</u>	<u>2,370,249</u>

35. FORTHCOMING STANDARDS

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2023 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory. The following amended standards and interpretations are not expected to have a significant impact on the Company's finance statements with an exception of IFRS 18.

Forth Coming standards/amendments	Effective date
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 <i>Leases</i>	1 January 2024
- Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants – Amendments to IAS 1 <i>Presentation of Financial Statements</i>	1 January 2024
- Amendments to IAS 7 <i>Statement of Cash Flows</i> and IFRS 7 <i>Financial Instruments: Disclosures – Supplier Finance Arrangements</i>	1 January 2024
- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.	1 January 2024
- IFRS S2 <i>Climate-related Disclosures</i> .	1 January 2024
- Lack of Exchangeability – Amendments to IAS 21 <i>The Effects of Changes in Foreign Exchange Rates</i> .	1 January 2025
- IFRS 19 <i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027
- IFRS 18 <i>Presentation and Disclosure in Financial Statements*</i>	1 January 2027

* Management is still assessing the impact of IFRS 18.