

TOL GASES LIMITED
AUDITED ANNUAL
FINANCIAL STATEMENTS
31 DECEMBER 2016

TOL GASES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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TOL GASES LIMITED

COMPANY INFORMATION

31 DECEMBER 2016

PRINCIPAL PLACE OF BUSINESS

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

BANKERS

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

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

Tanzania Investment Bank Ltd
Mlimani City
P. O. Box 9373
Dar Es Salaam

UBA BANK,
P.O Box 80514 ,
Dar es Salaam,
Tanzania.

ECO BANK,
P.O Box 20500,
Dar es Salaam,
Tanzania.

COMPANY AUDITOR

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

COMPANY LAWYERS

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

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

TOL GASES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

1. INTRODUCTION

The Directors present their report and the audited financial statements for the financial year ended 31 December 2016 which disclose the state of affairs of TOL Gases Limited. The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 22/03 2017.

2. INCORPORATION

TOL Gases Limited is incorporated in Tanzania under Tanzanian Companies Act, 2002 as a public company limited by shares.

3. COMPANY'S VISION

To be the pride of Tanzania in Eastern, Central and Southern African markets for gases, complementing accessories and services.

4. COMPANY'S MISSION

To be the leading, safest and reliable supplier of high quality gases, complementing accessories and services in Eastern, Central and Southern Africa.

5. PRINCIPAL ACTIVITIES

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

6. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the company at the date of this report and who have served since 01 January 2016; unless otherwise stated, are listed below:

<u>Name</u>	<u>Position</u>	<u>Age (years)</u>	<u>Nationality</u>	<u>Appointment</u>
Eng. Harold Temu	Chairman	67	Tanzanian	28 April 2014
Mr. Michael Shirima	Director	73	Tanzanian	28 April 2014
Mr. Godfrey Urasa	Director	74	Tanzanian	28 April 2014
Mr. Simon Mponji	Director	73	Tanzanian	28 April 2014
Mr. Justin Massawe	Director	36	Tanzanian	28 April 2014
Mr. Thomas Samkyi	Director	60	Tanzanian	28 April 2014
Mr Leonard C. Kitoka	Director	47	Tanzanian	27 April 2015

7. BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Godfrey Urasa	Chairman	74	Tanzanian
Mr. Simon Mponji	Member	73	Tanzanian
Mr Leonard C. Kitoka	Director	47	Tanzanian

INVESTMENT COMMITTEE

Mr. Thomas Samkyi	Chairman	60	Tanzanian
Mr. Michael Shirima	Member	73	Tanzanian
Mr. Justin Massawe	Member	36	Tanzanian

All Directors were non-executive. The company Secretary during the year ended 31 December 2016 was David Mchangilla.

TOL GASES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2016

8. DIRECTORS' REMUNERATION

The Directors are paid an allowance for each meeting they attend. Allowances paid during the year are disclosed in Note 27. Additionally, the following directors, Mr. Michael Shirima, Eng. Harold Temu, Mr. Godfrey Urasa, Mr. Simon Mponji, Mr. Thomas Samkyi Leonard C. Kitoka and Justin Massawe, hold shares in the company as shown in the table below.

9. SHAREHOLDING

The total number of shares issued as at the end of the year 2016 is 57,088,088 (2015: 55,835,529).

Shareholder	Number of shares	%
M/S Erncon Holding Limited	8,017,389	14.0
Ernest Saronga Massawe	6,412,594	11.2
Goodison Fourthy Seven Limited	4,675,857	8.2
Treasury Registrar	3,570,457	6.3
Anorld B.S. Kilewo	3,087,177	5.4
Godfrey Urasa	2,618,030	4.6
Harold Temu	2,500,000	4.4
Lake Chala Safari Lodge	1,705,067	3.0
Michael Shirima	1,680,405	2.9
Justine Massawe	400,100	0.7
Simon Mponji	44,851	0.08
Thomas Samkyi	14,852	0.03
Leonard C. Kitoka	200	0.0004
Others	23,507,946	39.2
TOTAL	57,088,088	100.00

10. CAPITAL STRUCTURE

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

Authorised Share Capital

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

Called up and fully paid share capital

57,088,088 ordinary shares of TZS 100 each (2015: 55,835,529 ordinary shares)

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

TOL Gases Limited is committed to the principles of effective corporate governance and the Board is of the opinion that the company currently complies with principles of good corporate governance. The Board has formed committees which deal with Audit, Finance, Investment, Planning and Administration since 2014 for better corporate governance.

The Board of Directors

The Board of TOL Gases Limited consists of seven Directors. None of the Directors hold executive positions in the company. The Board takes overall responsibility for the company, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative for compliance with sound corporate governance principles. The Board is chaired by a Director who has no executive functions. The Board is confident that its members have the knowledge, talent and experience to lead the company. The Non-Executive Directors are independent of management and exercise their independent judgment. With their depth of experience, they add value to Board deliberations.

The Board is required to meet at least four times a year and oversee the management of the business. Although the Chief Executive Officer of the company is designated as Managing Director; he is not a member of the Board of Directors. He reports to the Board and enjoys all executive powers. He is assisted by senior management in the day to day operations of the company. The Managing Director and other Senior Managers are invited to attend Board meetings and meetings of the committees of the Board which facilitate the effective control of all the company's operational activities, acting as a medium of communication and coordination between the various business units.

Senior management meets on a regular basis to review the results, operations, key financial indicators and the business strategy of the company. Board meetings are held quarterly to deliberate the results of the company.

Performance evaluation and reward

Details of the remuneration paid to key management are disclosed in Note 27 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.

**DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. CORPORATE GOVERNANCE (Continued)

The Board accepts final responsibility for the risk management and internal control systems of the company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding the effectiveness and efficiency of operations in:

- The safeguarding of the company's assets (including information);
- Compliance with the applicable laws, regulations and supervisory requirements;
- The reliability of the accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The Board assessed the internal control systems throughout the financial year ended 31 December 2016 and is of the opinion that they met acceptable criteria.

Ethical behaviour

Compliance with the Code of Conduct is the ultimate responsibility of the Managing Director with day-to-day monitoring delegated to line management with the support of personnel officers. All staff are expected to maintain the highest level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues.

The company's Code of Conduct commits it to the highest standards of integrity, conduct and ethics in its dealings with all parties concerned, including its Directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. The Directors and staff are expected to fulfil their ethical obligations in such a way that the business is run strictly according to fair commercial competitive practices

Financial reporting and auditing

The Directors accept final responsibility for the preparation of the annual financial statements which fairly present:

- The financial position of the company as at the end of the year under review;
- The financial results of operations and;
- The cash flows for that period.

The responsibility for compiling the annual financial statements is vested in the management and the financial audit was carried out independently by an external auditor and the company complied with the Companies Act 2002 and other laws of Tanzania.

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

11. CORPORATE GOVERNANCE (Continued)

The external auditors of the company report on whether or not the annual financial statements are fairly presented. The Directors are satisfied that during the year under review:

- Adequate accounting records were maintained;
- An effective system of internal control and risk management, monitored by management, was maintained;
- Appropriate accounting policies, supported by reasonable and prudent judgments and estimates, were used consistently; and
- The financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002.

The Directors are also satisfied that no material event has occurred between the financial year-end and the date of this report which affects the business or has not been reported. The Directors are of the opinion that the company has sufficient resources and commitments at its disposal to operate the business in the foreseeable future. The financial statements have been prepared on a going concern basis.

12. MANAGEMENT

The Management of the company is led by the Managing Director and is organized in the following functions:

- Finance and Accounts
- Production and Engineering
- Marketing and Business Development
- Human Resources and Administration

The key management personnel who served the company during the year ended 31 December 2016 were:

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

13. FUTURE DEVELOPMENT PLANS

The company is now working on the post turnaround strategy aimed at maximising shareholders wealth by shifting focus into implementing strategies aimed at making the current operations more efficient thereby saving costs while reinforcing the market position the company has taken, as a reliable supplier of safe and high quality products at competitive prices. Additionally the company is also set to expand its operations into Zimbabwe by the second quarter of 2017.

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016
TOL GASES LIMITED

13. FUTURE DEVELOPMENT PLANS (Continued)

(i) Some corrective actions have been taken to address the causes of the challenges on the ASU products including buying new motors for the ASPEN plant and power factor correction ensure continuous availability of industrial gases into the market and also save the company's energy costs. It is also expected that by the second quarter of 2017 engineer from Big-Tex will come to run the argon model. New cylinder trucks for ASU products were acquired this will ensure efficiency in the distribution of the same product.

(ii) On the carbon dioxide CO₂, Management is working very hard to maintain the current momentum of customer acquisition and retention both in local market and in the SADC region. A lot of improvements have been made on the distribution by adding road tankers, this will increase efficiency and reliability to our customers.

Future outlook

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

14. DIVIDEND

The Directors do not recommend dividends in respect of the year ended 31 December 2016 (2015: Nil).

15. PERFORMANCE FOR THE YEAR

The detailed financial performance of the company during the year is set out on page 16 of these financial statements, showing a profit before tax of TZS 3,107 million (2015: profit of 2,200 million), an increase of 41% over last year, while the sales growth was only 8% over the last year

16. SOLVENCY

The Board of Directors confirms that International Financial reporting standards (IFRS) have been followed and that the financial statements have been prepared on a going concern basis with a reasonable expectation that TOL Gases Limited has adequate resources to continue its operational existence in the foreseeable future.

17. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The company's accounting policies, which are laid out on pages 20 to 54, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

18. INVESTMENTS

The company made investment in property, plant and equipment to the value of TZS 4.732 billion during the year ended 31 December 2016 (2015: TZS 3.74 billion).

19. EMPLOYEES' WELFARE

Management and Employees' Relationship

A healthy relationship continues to exist between management and employees. There were no unresolved complaints received by Management from the employees during the year. The company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position, free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion or disability.

Training Facilities

The company sponsors its employees for both short and long term courses within and outside the country in various disciplines depending on the corporate needs and financial resources available

Medical Assistance

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

Health and Safety

The company has a strong health and safety awareness which ensures that a culture of hygiene and safety prevails at all times. All employees and contractors are provided with appropriate personal protective equipment, all of which meets the safety requirements laid down under Occupational Health and Safety Act 2003 and other legislation concerning industrial safety, health and hygiene. The company also organises regular health check-up for its employees which confirm to the applicable statutes and regulations in Tanzania

Persons with Disabilities

It remains the company's policy to accept disabled persons for employment for those vacancies that they are able to fill. Opportunities for advancement are provided to each disabled person when a suitable vacancy arises within the organisation and all necessary assistance is given along with initial training. Where an employee becomes disabled during the course of his or her employment, the company provides suitable alternate employment and necessary training thereof. The company's policy is not discriminatory against people with regards to race, gender, religion or disability

Financial Assistance to Staff

The company offered 1,861,184 shares to the existing employees who made a turnaround strategy a successful. The shares were issued from the unissued shares and allocated to eligible employees at a price of TZS 400 per share, being a discount on their market price (as published by DSE) at the date of offer. The shares are offered as a one-off transaction in recognition of their role in realizing the Company's turnaround strategy and not as part of any employees' share ownership scheme. The purchase was done using employees own fund.

Out of 1,861,184 shares, only the paid up was 1,252,562 Worthing TZS 501,024,900

Loans are available to all permanent employees who are members of SACCOS. The company supports the SACCOS by being facilitator of loan repayment to NSSF and PPF.

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

19. EMPLOYEES' WELFARE (Continued)

Retirement Benefits

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

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

20. GENDER PARITY

The company is 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 2016 the company has the ratio of 1:5 female to male employees.

21. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 27 to these financial statements.

22. POLITICAL DONATIONS

The company does not make political donations.

23. ENVIRONMENTAL CONTROL PROGRAMME

The company has an environment policy and takes appropriate pollution control measures to comply with various environment and pollution related statutes in Tanzania.

24. QUALITY

The company has a formal quality assurance accreditation program, with all operations being monitored closely and the products are tested in the company Laboratory, Airborne Labs International USA as well as, Tanzania Bureau of Standards (TBS). The company has been certified with ISO 22000.

25. CORPORATE SOCIAL INVESTMENT

During the year TOL Gases Limited continued to support Tanzanian society through its Corporate Social Responsibility program. The company participated in the construction of two class rooms at Isebe primary school in Rungwe district and Kanyebele primary school at Busekelo district.

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

26. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with international Financial reporting standards (IFRS) and in the manner required by the Tanzanian Companies Act, 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

27. AUDITORS

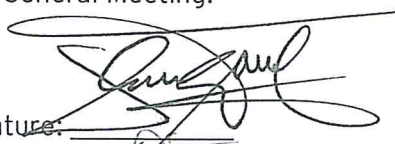
The auditors, Ernst & Young have expressed their willingness to continue in office as auditors and are eligible for reappointment. A resolution proposing the re-appointment of Ernst & Young as auditors for the year 2017 will be tabled at the Annual General Meeting.

By order of the Board

Name: HAROLD E. TENA CHAIRMAN Title: CHAIRMAN

Name: Leonard C. Kibuka Title: Director

Date: 22/03 | 2017

Signature: 

Signature: 

DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

I, EVARISI M. TILAFU being the Head of Finance for TOL Gases Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2016, have been prepared in compliance with the International Financial Reporting Standards and the Companies Act of Tanzania.

I thus confirm that the financial statements give true and fair view position of TOL Gases Limited as on that date and that they have been prepared based on the properly maintained financial records.



Signed by: EVARISI M. TILAFU

Title: Head of Finance

NBAA Membership No. GA4015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

TOL GASES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of TOL Gases Limited ('the Company') set out on pages 16 to 54, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of TOL Gases Limited as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT (Continued)
TOL GASES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

No.	Key audit matter	How our audit addressed the key audit matter
1.	<p>Accounting for tax positions</p> <p>Tax positions were significant to our audit because the assessment process involves judgement.</p> <p>Determination of provisions and contingent liabilities for income tax and indirect taxes requires the directors to make judgements and estimates in relation to the income tax computations and exposures arising from open tax assessments. The Company has open tax assessments and the determination of provisions and contingent liabilities arising from the open assessments make this a particular area of significant judgement</p>	<p>Our audit procedures included understanding the Company's processes for the recording and re-assessment of tax provisions.</p> <ul style="list-style-type: none"> - We performed audit procedures on the completeness and accuracy of the amounts recognized as current and deferred tax, including the assessment of the correspondence with tax authorities, reports of the Company's external tax consultants and the evaluation of tax exposures. - We included in our team tax specialists to analyse the tax positions and to evaluate the assumptions used to determine tax positions. - We assessed relevant historical and recent judgements passed by the tax authority in considering any precedent, as well as assessing legal opinions from the Company's external lawyers, where available. - We also assessed the adequacy of the Company's disclosure in Note 22 in respect of income tax

Other Information included in the Company's 2016 Directors' Report

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

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



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INDEPENDENT AUDITOR'S REPORT (Continued) TOL GASES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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INDEPENDENT AUDITOR'S REPORT (Continued)

TOL GASES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

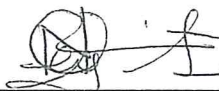
This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and
- The Company's statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.


Ernst & Young
Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure Mssusa (Partner)



Date: 03/04 2017

TOL GASES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

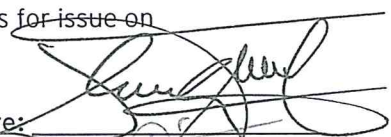
	Notes	2016 TZS '000	2015 TZS '000
Revenue	8	16,115,891	14,900,914
Cost of sales	9	(9,234,832)	(9,090,864)
Gross profit		6,881,059	5,810,050
Other income	10	962,930	892,064
Operating expenses	11	(3,838,063)	(3,383,851)
Operating profit		4,005,926	3,318,263
Finance costs	13	(897,943)	(1,118,198)
Profit before tax		3,107,983	2,200,065
Income tax (expense)/credit	22	(346,909)	51,069
Profit for the year		2,761,074	2,251,134
Other comprehensive income			
Total comprehensive income		2,761,074	2,251,134
Basic/Diluted earning per share (TZS)	15	48.37	40.32

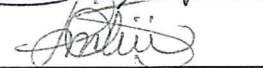
TOL GASES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Notes	2016 TZS '000	2015 TZS '000
ASSETS			
Non-current Assets			
Property, plant and equipment	14	21,546,019	18,802,022
Intangible asset	16	17,397	41,484
		<u>21,563,416</u>	<u>18,843,506</u>
Current assets			
Inventories	17	3,606,153	2,620,720
Trade and other receivables	18	3,624,010	4,552,232
Cash and bank balances	19	326,051	454,577
		<u>7,556,214</u>	<u>7,627,529</u>
TOTAL ASSETS		<u><u>29,119,630</u></u>	<u><u>26,471,035</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	20	5,708,810	5,583,552
Share premium		6,639,105	6,263,338
Retained Earnings		3,235,286	474,210
		<u>15,583,201</u>	<u>12,321,100</u>
Non current liabilities			
Long term borrowings	21	2,826,107	2,070,810
Deferred tax liability	22	959,887	904,168
		<u>3,785,994</u>	<u>2,974,978</u>
Current liabilities			
Trade and other payables	23	4,748,294	6,379,349
Tax payable	22	291,189	-
Bank overdraft	24	2,277,165	2,904,138
Cylinder deposits	25	868,001	789,900
Current portion of loans	21	1,565,786	1,101,570
		<u>9,750,435</u>	<u>11,174,957</u>
TOTAL EQUITY AND LIABILITIES		<u><u>29,119,630</u></u>	<u><u>26,471,035</u></u>

These financial statements were approved by the board of directors for issue on 22/03 / 2017 and were signed on its behalf by:

Name: HAROLD E. TEMU Title: CHAIRMAN Signature: 

Name: Leonard C. Kitka Title: Director Signature: 

TOL GASES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Share premium	Retained earnings	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2015	5,583,552	6,263,338	(1,776,924)	10,069,966
Profit for the year	-	-	2,251,134	2,251,134
Other comprehensive income	-	-	-	-
At 31 December 2015	<u>5,583,552</u>	<u>6,263,338</u>	<u>474,210</u>	<u>12,321,100</u>
At 1 January 2016	5,583,552	6,263,338	474,210	12,321,100
Profit for the year			2,761,076	2,761,076
Other comprehensive income				
Employee's share issued	125,258	375,767	-	501,025
At 31 December 2016	<u>5,708,810</u>	<u>6,639,105</u>	<u>3,235,286</u>	<u>15,583,201</u>

TOL GASES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 TZS '000	2015 TZS '000
OPERATING ACTIVITIES:			
Profit before tax		3,107,983	2,200,065
Adjustment for non cash items:			
Depreciation and amortisation	14 & 16	1,952,055	1,650,940
Interest paid	13	897,943	1,118,198
Gain on disposal of fixed assets	10	(4,237)	(27,315)
Unrealised exchange gain (Loss)	10	(121,656)	308,325
Corporate tax paid		-	(39,260)
		<u>5,832,088</u>	<u>5,210,953</u>
Movements in working capital			
(Increase)/decrease in inventories		(985,432)	385,027
Decrease/(increase) in trade and other receivables		928,222	(530,844)
Increase in cylinder deposits		78,101	162,289
(Decrease)/increase in trade and other payables		<u>(1,631,055)</u>	<u>936,201</u>
		<u>(1,610,164)</u>	<u>952,673</u>
Net cash flows generated from operating activities		<u>4,221,924</u>	<u>6,163,626</u>
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	14	(4,732,980)	(3,737,529)
Purchase of intangibles	16	(1,176)	(1,180)
Proceeds from sale of assets		66,254	27,315
Net cash flows used in investing activities		<u>(4,667,902)</u>	<u>(3,711,394)</u>
FINANCING ACTIVITIES:			
Bank loan repaid	21	(1,101,570)	(1,101,570)
Bank loan received	21	2,321,084	-
Employees shares issue proceeds		501,025	-
Interest paid	13	(897,943)	(1,118,198)
Net cash flows used in financing activities		<u>822,596</u>	<u>(2,219,768)</u>
Net decrease in cash and cash equivalent		376,617	232,464
Unrealised exchange gain	10	121,656	(308,326)
Cash and cash equivalents at 1 January		<u>(2,449,561)</u>	<u>(2,373,699)</u>
Cash and cash equivalents at 31 December	19	<u><u>(1,951,114)</u></u>	<u><u>(2,449,561)</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest thousand (TZS '000') except when otherwise indicated.

Going concern

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

Statement of compliance

The financial statements of TOL Gases Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2016, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Company is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 *Business Combinations* principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively and do not have any impact on the Company, given that it has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 *Agriculture*. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The amendments are applied retrospectively and do not have any impact on the Company as it does not engage Agriculture.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements have to apply that change retrospectively.

These amendments do not have any impact on the Company's financial statements.

Annual Improvements 2012-2014 Cycle

These improvements include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to the owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment is applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures need not be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment is applied retrospectively.

IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment is applied retrospectively.

These amendments do not have any impact on the Company.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1;
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments do not have any impact on the Company.

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. This amendment is applied prospectively

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

IFRS 12 Disclosure of Interests in Other Entities

Clarification of the scope of the disclosure requirements in IFRS 12

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

The amendments are effective from 1 January 2017 and must be applied retrospectively. This amendment is applied prospectively

IAS 7

Effective for annual periods beginning on or after 1 January 2017.

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). This amendment is applied prospectively

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

Effective for annual periods beginning on or after 1 January 2017.

The IASB issued the amendments to IAS 12 Income Taxes to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources

The company has not applied the standard for the current year, they have not applied as early adoption.

IFRS 2 Classification and Measurement of Share-based Payment Transactions Amendments to IFRS 2 (continued)

The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments.

▸ The classification of a share-based payment transaction with net settlement features for withholding tax obligations. This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

To fulfil this obligation, the terms of the share based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment ('net share settlement feature'). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature.

▸ The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity settled. The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss. This amendment is applied prospectively

Transfers of Investment Property (Amendments to IAS 40)

Effective for annual periods beginning on or after 1 January 2018.

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This amendment is applied prospectively

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2018.

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration

The company has not applied the standard for the current year, it has not applied as early adoption.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainty about these assumptions and estimates could require a material adjustment to carrying amount of the asset or liability affected in the future periods. In the process of applying the company's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

Estimates and assumptions

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

Asset useful lives for properties, plant and equipment

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

Residual values

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

Impairment of non-financial assets

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

Impairment of financial assets

The company assesses whether there are any indicators of impairment for all financial assets at each reporting date. Other financial assets are tested for impairment whenever there are indicators that carrying amounts may not be recoverable.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Fair value of financial instruments

are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. SUMMARY OF SIGNNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates and Value Added Tax.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest and similar income and expenses

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are charged to profit or loss as and when incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016****5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Employees' benefits**

All of the Company's employees are either members of the National Social Security Fund ("NSSF") or Parastatal Pension Fund (PPF), which are defined contribution plans. These plans are prescribed by Law of the respective countries. All employees must be a member of at least one of the aforementioned. The Company and employees both contribute 10% of the employees' gross salaries to the NSSF. For PPF, the Company and employees contribute 15% and 5% respectively of the employees' basic salaries to the scheme.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks, cash on hand and short-term deposits with a maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is provided using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except: Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

Value Added Tax

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

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

Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables. These assets are carried at amortised cost.

Financial assets - Derecognition

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

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

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

Impairment of financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets carried at amortised cost (continued)

value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of profit or loss and other comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings or at fair value through profit and loss. The Company determines the classification of its financial liabilities at initial recognition.

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

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of profit or loss and other comprehensive income.

De recognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(iii) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

Intangible assets

Intangible assets with finite lives are amortized over their economic useful lives and assessed for impairment whenever there is an indicator that the asset is impaired. The amortization method for an intangible asset with a finite life is reviewed at least at each financial period end. The amortization expense on intangible assets with finite lives is recognized in the Statement of profit or loss and other comprehensive income.

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

Cylinder deposits

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

Foreign currency translation

Functional and Presentation Currency

The company's financial statements are presented in Tanzanian Shillings (TZS), which is also the company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the company at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2016, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

(a) *Classification and measurement of financial assets*

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

(b) *Classification and measurement of financial liabilities*

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Company expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

The Company is in the business of production and distribution of industrial gases, medical gases and related accessories.

(a) Sale of goods

Contracts with customers in which the sale of equipment is generally expected to be the only performance obligation are not expected to have any impact on the Company's profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. In preparing to IFRS 15, the Company is considering the following:

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE (Continued)

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Company defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception.

IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Company continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Company expects that application of the constraint may result in more revenue being deferred than is under current IFRS.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Company plans to assess the potential effect of IFRS 16 on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

7. SEGMENT REPORTING

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

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

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

	2016	2015
	TZS '000	TZS '000
8 REVENUE		
Industrial gases	15,657,362	14,218,658
Accessories	458,529	682,256
	<u>16,115,891</u>	<u>14,900,914</u>
9 COST OF SALES		
Direct Cost		
Raw material	1,129,068	1,414,118
Direct labour (Note 12)	1,011,426	829,220
Transport costs	1,540,119	1,299,401
Depreciations of assets involved in the production	1,792,570	1,503,285
Overheads	2,003,643	2,977,477
Other allocated indirect costs	1,758,006	1,067,363
	<u>9,234,832</u>	<u>9,090,864</u>
<p>The make up of the other direct cost consist of TZS 1,793 Million (2015 : TZS 1,503 million) which is part of the total depreciation cost. This depreciation is directly associated with the production.</p>		
10 OTHER INCOME		
Installation and fixing of plants	669,194	218,058
Realized foreign exchange gain	167,843	338,366
Profit on sale of fixed assets	4,237	27,315
Unrealized foreign exchange gains	121,656	308,325
	<u>962,930</u>	<u>892,064</u>
11 OPERATING EXPENSES		
Audit fees	74,832	62,860
Realized forex losses	337,401	257,588
Legal and professional fees	232,233	124,517
Depreciation	159,485	147,655
Amortisation	25,263	23,830
Staff cost (Note 12)	902,635	1,127,938
Administration cost	2,106,214	1,639,464
	<u>3,838,063</u>	<u>3,383,851</u>
<p>The depreciation cost of TZS 159.5 Million (2015: TZS 147.5Million) is part of of the total depreciation cost of TZS 1,926 Million (2015: TZS 1,627 Million) as disclosed on the note 14.</p>		
12 STAFF COST		
Salaries and wages	1,128,422	1,198,709
Social security contribution	202,672	206,503
Medical expenses	173,458	139,607
Gratuity	128,923	142,232
Other staff costs	280,586	270,107
	<u>1,914,061</u>	<u>1,957,158</u>
Direct labour	1,011,426	829,220
Operating expenses	902,635	1,127,938
	<u>1,914,061</u>	<u>1,957,158</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

13	FINANCE COSTS Interest expenses	2016		2015					
		TZS '000	TZS '000	TZS '000	TZS '000				
897,943	1,118,198								
<u>897,943</u>	<u>1,118,198</u>								
14	PROPERTY, PLANT AND EQUIPMENT								
	Cost								
	At 1 January 2016	94,100	2,414,353	17,297,874	3,400,362	3,485,932	778,168	1,995,318	29,466,107
	Additions	-	8,102	240,531	70,092	1,674,096	63,674	2,676,486	4,732,980
	Transfer	640,001	-	2,120,775	-	902,466	-	(3,663,242)	-
	Disposal	-	-	-	-	(181,268)	(1,500)	-	(182,768)
	At 31 December 2016	<u>734,101</u>	<u>2,422,455</u>	<u>19,659,180</u>	<u>3,470,454</u>	<u>5,881,226</u>	<u>840,342</u>	<u>1,008,562</u>	<u>34,016,319</u>
	Accumulated depreciation								
	At 1 January 2016	-	335,399	7,159,168	743,758	1,907,547	518,213	-	10,664,085
	Charge for the year	-	46,657	1,050,311	132,146	634,212	63,466	-	1,926,792
	Disposal	-	-	-	-	(120,577)	-	-	(120,577)
	At 31 December 2016	<u>-</u>	<u>382,056</u>	<u>8,209,479</u>	<u>875,904</u>	<u>2,421,182</u>	<u>581,679</u>	<u>-</u>	<u>12,470,300</u>
	Carrying value								
	At 31 December 2016	<u>734,101</u>	<u>2,040,399</u>	<u>11,449,701</u>	<u>2,594,550</u>	<u>3,460,043</u>	<u>258,663</u>	<u>1,008,562</u>	<u>21,546,019</u>
	Carrying value								
	At 31 December 2015	<u>94,100</u>	<u>2,078,954</u>	<u>10,138,706</u>	<u>2,656,604</u>	<u>1,578,385</u>	<u>259,955</u>	<u>1,995,318</u>	<u>18,802,022</u>

The plant and machinery installed on industrial property Plot No. 41, Nyakato Industrial Area, Mwanza City and Plot No. 4 Pugu Industrial Area, Dar es Salaam are held as security for the loans granted by Tanzania Investment Bank. The bank also hold legal mortgage over Company's property with Title No. 937 MZLR (LO No. 67760) Nyakato area and Title No. 1.86068/25 (LO No. 282480) Dar es Salaam .

The transfer of the plant and machinery and motor vehicle is cost relating to major renovation of Aspen plant which was incurred during the year.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Building	Plant & machinery	Cylinders	Motor vehicles	Office equipment	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost								
At 1 January 2015	94,100	2,320,397	14,762,501	2,543,586	3,149,417	734,825	2,185,465	25,790,291
Additions	-	93,956	584,380	856,776	398,228	43,343	1,760,846	3,737,529
Transfer	-	-	1,950,993	-	-	-	(1,950,993)	-
Disposal	-	-	-	-	(61,713)	-	-	(61,713)
At 31 December 2015	94,100	2,414,353	17,297,874	3,400,362	3,485,932	778,168	1,995,318	29,466,107
Accumulated depreciation								
At 1 January 2015	-	289,802	6,282,423	623,772	1,459,272	443,419	-	9,098,688
Charge for the year	-	45,597	876,745	119,986	509,988	74,794	-	1,627,110
Disposal	-	-	-	-	(61,713)	-	-	(61,713)
At 31 December 2015	-	335,399	7,159,168	743,758	1,907,547	518,213	-	10,664,085
Carrying value								
At 31 December 2015	94,100	2,078,954	10,138,706	2,656,604	1,578,385	259,955	1,995,318	18,802,022

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

The transfer in work in progress represent the new plant of CO2 which was under construction in Ikama - Mbeya. The transfer of the to Plant and machinery is a result of the commissioning of this plant in the first quarter of year 2014. The remained amount consist of the acquisition of the Liquidified oxygen Storage tank (900 Million) and spares purchased for repairs of Aspen Plant which have yet capitalized.

Included in the plant and machinery is the assets with gross carrying value of TZS 1.3 million which are fully depreciated but still in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	TZS '000	TZS '000
15 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 was no transactions leading to dilutive effect.		
Net profit attributable to shareholders	2,761,074	2,251,134
Weighted average number of ordinary shares	57,088,088	55,835,533
Basic earning per share (TZS)	<u>48.37</u>	<u>40.32</u>
Basic and diluted earning per share (TZS)	<u>48.37</u>	<u>40.32</u>
16 INTANGIBLES		
Cost		
At 1 January	170,626	169,446
Additions	1,176	1,180
31 December	<u>171,802</u>	<u>170,626</u>
Accumulated amortization		
At 1 January	129,142	105,312
Charge for the year	25,263	23,830
31 December	<u>154,405</u>	<u>129,142</u>
Carrying value		
31 December	<u>17,397</u>	<u>41,484</u>
17 INVENTORIES		
Raw materials	1,802,629	1,121,244
Finished goods	744,340	581,134
Welding machines equipment	764,217	790,965
Medical machines equipment	294,967	127,378
	<u>3,606,153</u>	<u>2,620,721</u>
The raw material inventory of TZS 1,129 Million (2015: TZS 1,414 Million) was recognised to cost of sales from the inventories.		
18 TRADE AND OTHER RECEIVABLES		
Trade receivables	3,151,297	3,570,631
Staff receivables	96,711	67,567
Advance to suppliers	-	736,577
Prepayments	756,387	557,842
	<u>4,004,395</u>	<u>4,932,617</u>
Provision for impairment	<u>(380,385)</u>	<u>(380,385)</u>
	<u>3,624,010</u>	<u>4,552,232</u>
Trade receivables are non-interest bearing and are generally on 30-90 days terms.		
As at 31 December 2016 trade receivables amounting to TZS 380,385 (2015: 380,385TZS) were impaired and fully provided for.		
Movement on the provision for impairment of trade and other receivables:		
At 1 January	380,385	380,385
Charge for the year	-	-
Recoveries during the year	-	-
At 31 December	<u>380,385</u>	<u>380,385</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	TZS '000	TZS '000
18 TRADE AND OTHER RECEIVABLES (Continued)		
As at 31 December, the ageing analysis of trade and other receivables is as follows:		
Up to 30 days	1,903,430	2,667,919
31 - 60 days	305,510	214,580
61 - 90 days	69,914	328,483
Over 90 days	872,443	359,649
	<u>3,151,297</u>	<u>3,570,631</u>

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

Amount is in TZS	419,879	735,417
	<u>419,879</u>	<u>735,417</u>

19 CASH AND CASH EQUIVALENTS

Cash in hand	20,478	7,158
Cash at Bank	305,573	447,419
	<u>326,051</u>	<u>454,577</u>

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

Cash at banks and on hand	326,051	454,577
Bank overdrafts (Note 23)	(2,277,165)	(2,904,138)
	<u>(1,951,114)</u>	<u>(2,449,561)</u>

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

Amount is in TZS	<u>212,212</u>	<u>324,028</u>
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20 SHARE CAPITAL

Authorized		
60 million Ordinary Shares of TZS 100 each	<u>6,000,000</u>	<u>6,000,000</u>
57,088,088 (2015: 55,835,522) Ordinary Shares issued and fully paid	<u>5,708,810</u>	<u>5,583,552</u>

21 LOANS AND BORROWINGS**a) Tanzania Investment Bank Loan**

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

Facility 1

The facility amount is Tzs 1.3 billion with the purpose of financing construction works, purchase of truck tractor units, rehabilitation of decantation chambers and repair of trailers. The loan is repayable in seventy two (72) equal monthly installments. The loan was secured on 16 August 2012, the first installment is due after a grace period of twelve months counted from the first draw down date which is 6 September 2012 and expires after eighty four (84) months from the first draw down date. Interest rate is 16%, accrues daily and paid monthly in arrears.

At 01 January	812,976	1,029,770
Loan received during the year	-	-
Repayment during the year	(216,793)	(216,794)
As at 31 December	<u>596,183</u>	<u>812,976</u>
Long term portion	379,389	596,183
Current portion	<u>216,793</u>	<u>216,793</u>

	2016	2015
	TZS '000	TZS '000
21 LOANS AND BORROWINGS (Continued)		
Facility 2		
The facility amount is Tzs. 4.9 billion; with the purpose of financing construction works, acquisition of plants and machineries, motor vehicles, and consultancy as well as borehole drilling and encasing. The loan was secured on 26 May 2011 and is to be repaid in seventy two (72) equal monthly installments. The first installment was due and paid after a grace period which ended on 11 February 2013; and expires after eighty four (84) months from the first draw down date which is 23 August 2011. Interest rate is 16%, accrues daily and paid monthly in arrears.		
At 01 January	2,359,403	3,244,179
Repayment during the year	(884,776)	(884,776)
As at 31 December	1,474,627	2,359,403
Long term portion	589,851	1,474,627
Current portion	884,776	884,776

The mortgages for the loans includes:

(i) Loan mortgage over the Company's industrial landed property - Plot No. 41 Nyakato Industrial Area

Facility 3

The facility amount is Tzs. 2.3 billion; with the purpose of financing improvements to the existing operations range from compliance requirements in case of CO₂ analyzer, efficiency in operations in the case of power factor corrections and high-pressure gas filling machines of large cylinder filling capacity to safety requirements in case of cylinder handling lifting trucks. The offer letter was signed on 29 September 2015 but actual disbursement of the loan was January 2016. The Loan is to be repaid in sixty (60) equal monthly installments. The first installment is due and payable after a grace period which end on February 2017. Interest rate is 18%, accrues daily and payable monthly in arrears

At 01 January	-	-
Loan received during the year	2,321,084	-
As at 31 December	2,321,084	-
Long term portion	1,856,867	-
Current portion	464,217	-
Total long term loan	2,826,107	2,070,810
Total current portion loan	1,565,786	1,101,570

The mortgages for the loans includes:

(i) Loan mortgage over the Company's industrial landed property - Plot No. 41 Nyakato Industrial Area

(ii) Debenture over machinery and equipments installed in landed property - Plot No. 41 Nyakato Industrial Area in Mwanza city;

(iii) Legal mortgage over Company's industrial landed property - Plot No. 4 Pugu Industrial Area in Dar es Salaam City

(iv) Debenture over machinery and equipments installed in landed property - Plot No. 4 Pugu Industrial Area in Dar es Salaam City.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	TZS '000	TZS '000
22 TAXATION		
a) Income tax expense		
Current income tax charge	291,189	-
Deferred tax charge	55,719	(51,070)
Income tax reported in the income statement	<u>346,909</u>	<u>(51,070)</u>
A reconciliation between tax expense and accounting profit multiplied by Tanzania Corporate tax for the year ended 31 December 2016 and 2015 as follow:		
Accounting before income tax	3,107,983	2,200,065
At Tanzania's statutory income tax rate 30% (2015; 30%)	(932,395)	(660,020)
Non deductible expenses for tax purpose		
Non deductible expenses	(27,201)	(287,024)
Penalties charge	(43,544)	-
Over -provision of previous years taxes	656,231	998,114
	<u>(346,909)</u>	<u>51,070</u>
b) Tax recoverable/payable		
Balance at 1 January	-	39,260
Tax charge for the year	291,189	-
Repayment made	-	(39,260)
	<u>291,189</u>	<u>-</u>
Tax assessments have been made up to 2011.		
c) Deferred tax		
Deferred tax relates to the following :-		
Accelerated depreciation for tax purposes	3,073,731	3,251,395
Unrealised exchanges gain	121,656	-
Decrease of provision	4,237	-
Tax losses	-	(237,497)
	<u>3,199,624</u>	<u>3,013,899</u>
Deferred tax asset thereon at 30%	959,887	904,168
Less: Opening deferred tax	904,168	955,238
Deferred tax expense	<u>55,719</u>	<u>(51,070)</u>

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilised.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	TZS '000	TZS '000
23 TRADE AND OTHER PAYABLES		
Trade payables	268,378	974,212
Other payables	63,694	131,175
Accrual expenses	2,071,781	1,224,945
VAT Payables	2,273,543	3,199,221
Statutory deduction (PAYE & NSSF)	<u>70,898</u>	<u>849,797</u>
	<u><u>4,748,294</u></u>	<u><u>6,379,350</u></u>
Terms and conditions of the above financial liabilities:		
Trade payables are non-interest bearing and are normally settled between 15 to 45 days after date of invoice. Other payables are non-interest bearing and have an average term of six months.		
Trade and other payables comprise of the following amounts denominated in foreign currency:		
United States Dollars	278,579	92,424
Sterling Pound (GBP)	<u>85,704</u>	<u>188,518</u>
Total - Tanzania Shillings	<u><u>364,283</u></u>	<u><u>280,942</u></u>
24 BANK OVERDRAFT		
The Company had secured an overdraft facility with CRDB Bank of TZS 2.5 billion at an interest rate of 18% per annum accruing daily on an outstanding balance and is charged monthly.		
Outstanding balance as at 31 December	<u><u>2,277,165</u></u>	<u><u>2,904,138</u></u>
25 CYLINDER DEPOSITS		
Cylinder deposits are made up of payments made by customers for use of cylinders to store gas. The deposit are refundable to customers upon return of the cylinders.		
The movements of cylinder deposit accounts during the year was as follows:		
Balance as at January	789,900	627,611
Deposits made during the year	158,535	530,910
Refunds made during the year	<u>(80,434)</u>	<u>(368,621)</u>
	<u><u>868,001</u></u>	<u><u>789,900</u></u>
26 EMPLOYEES PENSION		
The company operates a defined contribution plan through a pension scheme to which both the employer and employee contribute. Some employees are members of the National Social Security Fund (NSSF) and others are members of Parastatal Pension Fund (PPF)		
The employer and the local employee, each contribute 10% to NSSF while under PPF the employee contribute 5% and employer 15%.		
During the year, the company's contribution amounted to:		
NSSF and PPF	<u><u>226,473</u></u>	<u><u>221,990</u></u>
27 RELATED PARTY TRANSACTIONS		
During the year, the company entered into transactions with related parties as follow:		
Key management remuneration		
Short term benefits	946,927	845,470
Other long term benefits	170,478	152,213
Directors remuneration	<u>18,000</u>	<u>18,000</u>
	<u><u>1,135,405</u></u>	<u><u>1,015,683</u></u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

a) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available and thus the Company being unable to fulfil its existing and future cash flow obligations. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company policy is that not more than 70% of borrowings should mature in the next 12 - month period (2015:70%). The Company assessed the concentration of risk with respect to financing its debt and concluded it to be low. The reason of it being low is due to the new market obtained in Zimbabwe and the capital injected through the issuing of additional shares which brought about income

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

Year ended 31 December 2016

	On demand	Less than 3 months	3 to 12 months	Up to 5 years	Effect of discounti ng	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Interest bearing loans and borrowings	91,797	116,054	1,534,934	2,491,179	-	4,233,964
Bank overdraft	2,277,165	-	-	-	-	2,277,165
Cash balances	326,051	-	-	-	-	326,051
Trade and other payables	4,748,294	-	-	-	-	4,748,294
Cylinder deposits	868,001	-	-	-	-	868,001
	7,985,257	116,054	1,565,787	2,618,255	-	11,585,474

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Year ended 31 December 2015

	On demand	Less than 3 months	3 to 12 months	Up to 5 years	Effect of discounting	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Interest bearing loans and borrowings	91,797	183,594	806,179	2,478,391	-	3,559,960
Bank overdraft	2,904,138	-	-	-	-	2,904,138
Cash balance	454,577	-	-	-	-	454,577
Trade and other payables	4,427,172	682,549	-	-	-	5,116,421
Cylinder deposits	789,900	-	-	-	-	789,900
	8,667,584	866,143	826,179	2,578,391	-	12,824,997

b) Foreign currency risk

The Company operates within and outside Tanzania and its assets and liabilities are reported in local currency. As at the reporting date the Company was not exposed to significant foreign currency exposure, although there are certain trade accounts payable denominated in United States dollars. Foreign currency risk is managed at an operational level and monitored by the Finance Department. Exposure to losses from foreign currency liabilities is managed through prompt payment of outstanding liabilities.

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in USD and GBP exchange rates, with all other variables held constant. The impact on the Company's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Company's exposure to foreign currency changes for all other currencies is not material.

USD 48,906

	Increase/decrease in the value of TZS vs USD	Effect on profit before tax TZS'000	Effect on equity TZS'000
Net effect based on financial year end as at 31 December 2016	+10%	+10,676	+10,676
	-10%	-10,676	-10,676

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

GBP 32,050

	Increase/decrease in the value of TZS vs. GBP	Effect on profit before tax TZS'000	Effect on equity TZS'000
Net effect based on financial year end as at 31 December 2016	+10%	+8,570	+8,570
	-10%	-8,570	-8,570

USD 320,386

	Increase/decrease in the value of TZS vs. other currencies (USD)	Effect on profit before tax TZS'000	Effect on equity TZS'000
Net effect based on financial year end as at 31 December 2015	+10%	-86,784	-86,784
	-10%	+86,784	+86,784

GBP 289,580

	Increase/decrease in the value of TZS vs. other currencies (GBP)	Effect on profit before tax TZS'000	Effect on equity TZS'000
Net effect based on financial year end as at 31 December 2015	+10%	-65,554	-65,554
	-10%	+65,554	+65,554

c) Interest rate risk

The Company has adopted a non- speculative approach to the management of interest rate risk. For the past twelve months, there have not been significant changes in interest rates obtained by the Company from its Bankers for its loans and borrowings. The interest rate was 18% in 2016 and 18% during the year 2015. Furthermore, no significant change in interest rates is expected for the coming twelve months.

The following table demonstrates the sensitivity to possible changes in interest, with all other variables held constant, of the Company's profit before tax: There is no impact on the equity.

2016	Increase/(decrease) in basis point	Effect on profit before tax
TZS	5	47,650
TZS	(5)	(47,650)
2015	Increase/(decrease) in basis point	Effect on profit before tax
TZS	5	60,610
TZS	(5)	(60,610)

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Credit risk management

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

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

The Company has a credit policy that is designed to ensure that consistent processes are in place throughout the Company to measure and control credit risk. Credit risk is considered as part of the risk-reward balance of doing business.

d) Credit risk management

On entering into any business contract the extent to which the arrangement exposes the Company to credit risk is considered. Key requirements of the policy are formal delegated authorities to the sales and marketing teams to incur credit risk and to a specialized credit function to set counterparty limits;

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

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

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

The maximum exposures lies with the following customers, Muhimbili Orthopaedic Institute, Simba Trailer and Muhimbili National Hospital, For Muhimbili these are Government Institution where by the recoverability is for sure but it takes time and for Simba Trailer they have subsequent cleared a balance

Factors considered for impairing the balances of receivables

For the balance which is over 90 days, they are subject to the assessment of impairment by the company, but as the company impair balances specifically, the impairment will be done only to customers who are not capable to continue their business in going concern.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

		2016 TZS '000	2015 TZS '000
Neither past due nor impaired	Up to 30 days	1,903,430	2,567,919
Past due but not impaired	31 - 60 days	305,510	214,580
	61 - 90 days	69,914	328,483
Past due but impaired	Over 90 days	872,443	459,649
		3,151,297	3,570,631
Less: Impaired	Over 90 days	380,385	380,385
Net receivables		2,770,912	3,190,246

29. LEASE COMMITMENTS

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Set out below is a comparison by class of the carrying amounts and fair value of Company's financial instruments that are carried in the financial statements.

Financial assets	2016			Carrying amount TZS'000
	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	
Financial liabilities				
Interest bearing loans	-	4,391,894	-	4,391,894
	-	4,391,894		4,391,894
	2015			
Financial assets	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	Carrying amount TZS'000
Financial liabilities				
Interest bearing loans	-	3,172,379	-	3,172,379
	-	3,172,379		3,172,379

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Carrying value of Cylinder deposit, trade and other payables, other receivables and trade receivables approximate or equal to the Fair value of assets and liabilities as these are short term in nature; therefore there will be insignificant exposure in the change of the carrying value in comparison to the fair value.

For Bank Overdraft, the rate imposed on the term will be depending on the daily outstanding balance. The balance as at the year-end 2016 equals the fair value in respect of the prevailing rate on the outstanding balance.

Interest bearing loan Interest rate p.a. is 17% fixed for the entire Loan period, changes in Inflation rate are minimal in Tanzania e.g. 5% in the current year (2015: 6.8%). Therefore the carrying amount is the best estimation of the fair value.

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

The Company defines capital as the total equity of the Company. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company is not subject to any externally imposed capital requirements. The Company manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the years end 31 December 2016 and 31 December 2015.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

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

At 31 December 2016, the net debt ratio was 44.30% (2015:54.01%)

	2016	2015
	TZS'000	TZS'000
Gross debt		
Interest bearing loans and borrowings	4,391,894	3,172,379
Bank overdrafts	2,277,165	2,904,138
Trade and other payables	4,748,294	6,379,349
Cylinder deposits	868,001	789,900
Cash and bank balance	(326,051)	(454,577)
Net debts	<u>12,285,354</u>	<u>13,245,766</u>
Equity	<u>15,583,201</u>	<u>12,321,100</u>
Capital and debt	<u><u>27,347,460</u></u>	<u><u>24,725,896</u></u>
Net debt ratio	44.30%	54.01%

32. CONTINGENT LIABILITIES

There are no material contingencies as at 31 December 2016, which may possibly result in a loss or gain to the company or in commitments which it cannot meet, and for which no provision is considered necessary or only partial provision has been made.

33. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date which requires adjustment of or disclosure in the financial statements.

