

TOL GASES LIMITED
DIRECTORS REPORT AND
FINANCIAL STATEMENTS
31 DECEMBER 2015

TOL GASES LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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TOL GASES LIMITED

**COMPANY INFORMATION
31 DECEMBER 2015**

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

ABC Bank Limited
Barclays House,1st Floor
P. O. Box 31
Dar es Salaam

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

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

COMPANY LAWYERS

Ngalo & Company Advocates
6th Floor IPS Bulidings
P. O. Box 79872
Dar es Salaam
Tanzania

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

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

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

COMPANY AUDITOR

Ernst & Young
Certified Public Accountants
Utalii House
P. O. Box 2475
Dar es Salaam

TOL GASES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

1. INTRODUCTION

The Directors present their report and the audited financial statements for the financial year ended 31 December 2015 which disclose the state of affairs of TOL Gases Limited. The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on _____ 2016.

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 2015; 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	66	Tanzanian	28 April 2014
Mr. Michael Shirima	Director	72	Tanzanian	28 April 2014
Mr. Godfrey Urasa	Director	73	Tanzanian	28 April 2014
Mr. Simon Mponji	Director	72	Tanzanian	28 April 2014
Mr. Justin Massawe	Director	35	Tanzanian	28 April 2014
Mr. Thomas Samkyi	Director	59	Tanzanian	28 April 2014
Mr. Leonard Chacha Kitoka	Director	47	Tanzanian	27 April 2015

7. BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Godfrey Urasa	Chairman	73	Tanzanian
Mr. Simon Mponji	Member	72	Tanzanian
Mr. Justin Massawe	Member	35	Tanzanian

INVESTMENT COMMITTEE

Mr. Thomas Samkyi	Chairman	59	Tanzanian
Mr. Michael Shirima	Member	72	Tanzanian
Mr. Justin Massawe	Member	35	Tanzanian

All Directors were non-executive. The company Secretary during the year ended 31 December 2015 was David Mchangilla.

TOL GASES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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, six of the directors, Mr. Michael Shirima, Eng. Harold Temu, Mr. Godfrey Urasa, Mr. Simon Mponji, Mr. Thomas Samkyi 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 2015 is 55,835,529 (2014: 55,835,529).

Shareholder	Number of shares	%
M/S Erncon Holding Limited	8,017,389	14.36
Ernest Saronga Massawe	6,075,284	10.88
Goodison Fourthy Seven Limited	4,196,516	7.52
Treasury Registrar	3,570,457	6.39
Anorld B.S. Kilewo	3,087,177	5.53
Godfrey Urasa	2,618,030	4.69
Harold Temu	2,453,727	4.39
Lake Chala Safari Lodge	1,705,067	3.05
Michael Shirima	1,680,405	3.01
Simon Mponji	44,851	0.08
Justine Massawe	400,100	0.72
Thomas Samkyi	14,852	0.03
Others	21,971,674	39.35
TOTAL	55,835,529	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

55,835,529 ordinary shares of TZS 100 each (2014: 55,835,529 ordinary shares)

TOL GASES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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 operation 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 sub committees of the Board which facilitate the effective control of all the company's operational activities, acting as a medium of communication and coordination between the various business units.

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

Performance evaluation and reward

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

TOL GASES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 and is of the opinion that they met acceptable criteria.

Ethical behaviour

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

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

Financial reporting and auditing

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

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

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

TOL GASES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 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	Director of Finance
Miss. Timea Chogo	Manager Marketing and Business Development

13. PERFORMAMNCE FOR THE YEAR

The detailed financial performance of the company during the year is set out on page 14 of these financial statements, showing a profit before tax of TZS 2,200 million (2014: profit of 2,290 million), a decrease of 4% over last year, while the sales growth was only 2% over the last year.

TOL GASES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015 TOL GASES LIMITED

14. DIVIDEND

The Directors do not recommend dividends in respect of the year ended 31 December 2015 (2014: Nil).

15. FUTURE DEVELOPMENT PLANS

The company can now be said to have completely turned around and must now focus on maximising the 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 neighbouring countries in search of more markets following the improvements to its production capacity.

(i) Some corrective actions have been taken to address the causes of the breakdown of ASPEN plant. This will ensure continuous availability of industrial gases into the market and also save the company's energy costs through production by batch method. It is also expected that by the second quarter of 2016 the argon model will be commissioned. New cylinder trucks for ASU products will be acquired in the first quarter of 2016; this will ensure efficiency in the distribution of the same product. The scaled down of the oil and gas operations in Mtwara which was potential market for ASU products, has compelled the company to continue finding customers for bulk liquid oxygen and nitrogen in the neighbouring countries of Kenya, Zambia, Zimbabwe and Mozambique. The company has already started supplying bulk nitrogen to Nacal project in Mozambique

(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. However continuous improvement of the distribution is required and management has ordered two road tanker expected to be delivered March 2016.

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. Beside 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. The company has fully recovered and managed to reverse the accumulated losses in this financial year 2015.

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.

TOL GASES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

17. ACCOUNTING POLICIES

The annual financial statements are prepared on the underlying assumption of a going concern. The company's accounting policies, which are laid out on pages 18 to 31, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

18. INVESTMENTS

The company made investment in property, plant and equipment to the value of TZS 3.74 billion during the year ended 31 December 2015 (2014: TZS 4.92 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 conform to the applicable statutes and regulations in Tanzania

Persons with Disabilities

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

Financial Assistance to Staff

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

TOL GASES LIMITED

DIRECTORS' REPORT (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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 2015 the company has the ratio of 1:4 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 is also ISO 22000 certified.

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 Kanyebelele primary school at Busekelo district.

TOL GASES LIMITED

DIRECTORS' REPORT (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

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

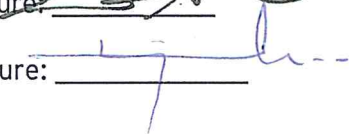
The auditors, Ernst & Young have expressed their willingness to continue in office as auditors and are eligible for reappointment.

By order of the Board

Name: HAROLD E. TEMU Title: CHAIRMAN

Signature: 

Name: GODFREY URASA Title: DIRECTOR

Signature: 

Date: 31-03- 2016

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of TOL Gases Limited set out on pages 14 to 46, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2015, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Tanzanian Companies Act, 2002.

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

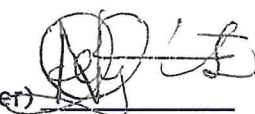
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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


Ernst & Young
Certified Public Accountants
Dar es Salaam - Tanzania

Signed by Neema Kiure-Mssusa (Partner)


5 April 2016

TOL GASES LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	<u>2015</u> TZS '000	<u>2014</u> TZS '000
Revenue	8	14,900,914	14,610,979
Cost of sales	9	(9,090,864)	(7,807,317)
Gross profit		<u>5,810,050</u>	<u>6,803,662</u>
Other income	10	892,064	693,945
Operating expenses	11	(3,383,851)	(4,073,433)
Operating profit		<u>3,318,263</u>	<u>3,424,174</u>
Finance costs	13	(1,118,198)	(1,133,513)
Profit before tax		<u>2,200,065</u>	<u>2,290,661</u>
Income tax credit / (expense)	22	51,069	(269,493)
Profit for the year		<u>2,251,134</u>	<u>2,021,168</u>
Other comprehensive income		-	-
Total comprehensive income		<u><u>2,251,134</u></u>	<u><u>2,021,168</u></u>
Basic earning per share (TZS)	15	40.32	36.20
Diluted earning per share (TZS)	15	40.32	36.20

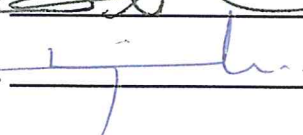
TOL GASES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 TZS '000	2014 TZS '000
ASSETS			
Non-current Assets			
Property, plant and equipment	14	18,802,022	16,691,603
Intangible asset	16	41,484	64,134
		<u>18,843,506</u>	<u>16,755,737</u>
Current assets			
Inventories	17	2,620,721	3,005,748
Trade and other receivables	18	4,552,231	4,021,387
Cash and bank balances	19	454,577	89,016
		<u>7,627,529</u>	<u>7,116,151</u>
TOTAL ASSETS		<u><u>26,471,035</u></u>	<u><u>23,871,888</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	20	5,583,552	5,583,552
Share premium		6,263,338	6,263,338
Retained earnings		474,210	(1,776,924)
		<u>12,321,100</u>	<u>10,069,966</u>
Non current liabilities			
Long term borrowings	21	2,070,810	3,172,379
Deferred tax liability	22	904,168	955,238
		<u>2,974,978</u>	<u>4,127,617</u>
Current liabilities			
Trade and other payables	23	6,379,349	5,443,148
Tax payable	22	-	39,260
Bank overdraft	24	2,904,138	2,462,716
Cylinder deposits	25	789,900	627,611
Current portion of loans	21	1,101,570	1,101,570
		<u>11,174,957</u>	<u>9,674,305</u>
TOTAL EQUITY AND LIABILITIES		<u><u>26,471,035</u></u>	<u><u>23,871,888</u></u>

These financial statements were approved by the board of directors for issue on
31-03- 2016 and were signed on its behalf by:

Name: HAROLD E. TEMU Title: CHAIRMAN Signature: 

Name: GODFLEI URASA Title: DIRECTOR Signature: 

TOL GASES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium	(Accumulated losses)/retained earnings	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2014	4,356,245	3,739,087	(3,798,092)	4,297,240
Profit for the year	-	-	2,021,168	2,021,168
Other comprehensive income	-	-	-	-
Rights issue	1,227,307	2,524,251	-	3,751,558
At 31 December 2014	<u>5,583,552</u>	<u>6,263,338</u>	<u>(1,776,924)</u>	<u>10,069,966</u>
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>

TOL GASES LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	<u>2015</u> TZS '000	<u>2014</u> TZS '000
OPERATING ACTIVITIES:			
Profit before tax		2,200,065	2,290,661
Adjustment for non cash items:			
Depreciation and amortisation	14 &16	1,650,940	1,380,589
Interest paid		1,118,198	1,133,513
Gain on disposal of fixed assets		(27,315)	(22,425)
Unrealised exchange gain		308,325	1,958
Corporate tax paid		<u>(39,260)</u>	<u>(300,000)</u>
		5,210,953	4,484,296
Movements in working capital			
Decrease/(increase) in inventories	17	385,027	(1,042,364)
Increase in trade and other receivables	18	(530,844)	(1,677,220)
Increase in cylinder deposits	25	162,289	128,750
Increase in trade and other payables	23	<u>936,201</u>	<u>15,441</u>
		952,673	(2,575,393)
Net cash flows generated from operating activities		<u>6,163,626</u>	<u>1,908,903</u>
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	14	(3,737,529)	(4,928,173)
Purchase of intangibles	16	(1,180)	(18,840)
Proceeds from sale of assets		27,315	134,974
Net cash flows used in investing activities		<u>(3,711,394)</u>	<u>(4,812,039)</u>
FINANCING ACTIVITIES:			
Bank loan repaid	21	(1,101,570)	(1,101,570)
Other long term liabilities		-	801,058
Right issue proceeds		-	3,751,558
Interest paid		<u>(1,118,198)</u>	<u>(1,133,513)</u>
Net cash flows used in financing activities		<u>(2,219,768)</u>	<u>2,317,533</u>
Net Increase /(decrease) in cash and cash equivalent		232,464	(585,602)
Unrealised exchange gain		(308,326)	(1,957)
Cash and cash equivalents at 1 January		<u>(2,373,699)</u>	<u>(1,786,140)</u>
Cash and cash equivalents at 31 December	19	<u>(2,449,561)</u>	<u>(2,373,699)</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION

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

Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that that the company will 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 accounting policies adopted are consistent with those of the previous financial year. Changes from the following new or revised standards and interpretations, amendments to existing standards and interpretations and improvements to IFRSs that were effective for the current reporting period did not have any impact on the accounting policies, financial position or performance of the company.

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Company has applied these improvements for the first time in these financial statements.

They include:

- **IFRS 2 *Share-based Payment*:** This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments did not impact the company's financial statements or accounting policies since it does not have share based payments.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

- **IFRS 3 *Business Combinations*:** The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This has no impact to the company as the company did not have any business combinations.
- **IFRS 8 *Operating Segments*:** The amendments are applied retrospectively and clarify that (a) An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar' ; and (b) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities

The amendments have no impact to the company, as the company does not apply aggregation.

- **IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*:** The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the company as the assets are recorded at historical cost.
- **IAS 24 *Related Party Disclosures*:** The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the company, as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the company has applied these amendments for the first time in these financial statements. They include:

IFRS 3 *Business Combinations*

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- (i) Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- (ii) This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The company is not a joint arrangement, and thus this amendment is not relevant.

IFRS 13 *Fair Value Measurement*; The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The company does not apply the portfolio exception in IFRS 13.

IAS 40 *Investment Property*; The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

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 equipments and intangible assets.

The useful lives of items of property, plant and equipment and of intangible 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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

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

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 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.

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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interest income

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

Property, plant and equipment

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

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

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

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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

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

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

- 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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Value Added Tax

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

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

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

Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The Company's financial assets include cash and short-term deposits, trade and other receivables, short-term loans and other receivables.

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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets carried at amortised cost (Continued)

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

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

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

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings 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.

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Loans and borrowings

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

Derecognition

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

Offsetting of financial instruments

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

(iii) Fair value of financial instruments

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

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

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

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the company's financial statements are described below. This description is of standards and interpretations issued, which the company reasonably expects to be applicable at a future date.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

6. STANDARD ISSUED BUT NOT YET EFFECTIVE (Continued)

The company intends to adopt those standards when they become effective. The company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the company's financial position or performance in the period of initial application. In cases where it will have an impact, the company is still assessing the possible impact.

Standards and interpretations issued or revised but not yet effective for the current financial year

- IFRS 15: Revenue from Contracts with Customers (Effective 1 January 2018)
- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016)
- IAS 16 and IAS 41: Accounting for bearer plants (Effective 1 January 2016)
- IFRS 9: Financial instruments (Effective 1 January 2018)
- IFRS 11: Accounting for the acquisition of interests in a Joint Operation (Effective 1 January 2016)
- IAS 27: Equity method in separate financial statements (Effective 1 January 2016)
- IAS 1: Disclosure initiatives - Proposed amendments on IAS 1 (Effective 1 January 2016)
- IFRS 16 - Leases (Effective 1 January 2019)

Improvement project

Below is a summary of the improvements issued in September 2014 but which were not yet effective for the financial year ended 31 December 2015:

- IFRS 5 - Non-current Asset Held for Sale and Discontinued Operations (Effective 1 January 2016)
- IFRS 7 - Financial Instruments - Disclosures (Effective 1 January 2016)
- IAS 19 - Employees Benefits (Effective 1 January 2016)
- IAS 34 - Interim Financial Reporting (Effective 1 January 2016)

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 Comprehensive income. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements.

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

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

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	TZS '000	TZS '000
8 REVENUE		
Industrial gases	14,218,658	13,728,729
Accessories	682,256	882,250
	<u>14,900,914</u>	<u>14,610,979</u>
9 COST OF SALES		
Direct Cost		
Raw material	1,414,118	1,372,095
Direct labour (Note 12)	829,220	892,568
Transport costs	1,299,401	1,080,007
Depreciations of assets involved in the production	1,503,285	1,263,554
Overheards	2,977,477	2,004,585
Other allocated indirect costs	1,067,363	1,194,508
	<u>9,090,864</u>	<u>7,807,317</u>
<p>The make up of the other direct cost consist of TZS 1,503 Million (2014 : TZS 1,263 million) which is part of the total depreciation cost. This depreciation is directly associated with the production.</p>		
10 OTHER INCOME		
Other income	174,257	191,857
Realized foreign exchange gain	338,366	314,468
Profit on sale of fixed assets	27,315	9,855
Unrealized foreign exchange gains	308,325	161,526
Miscellaneous income	43,801	16,239
	<u>892,064</u>	<u>693,945</u>
11 OPERATING EXPENSES		
Audit fees	62,860	48,167
Realized forex losses	257,588	315,410
Unrealized forex losses	-	159,568
Legal and professional fees	124,517	174,912
Depreciation	147,655	124,334
Amortisation	23,830	23,604
Staff cost (Note 12)	1,127,938	941,147
Administration cost	1,639,464	2,286,291
	<u>3,383,851</u>	<u>4,073,433</u>
<p>The depreciation cost of TZS 147.5 Million (2014: TZS 124 Million) is part of of the total depreciation cost of TZS 1,627 Million (2014: TZS 1,357 Million) as disclosed on the note 14.</p>		
12 STAFF COST		
Salaries and wages	1,198,709	1,122,603
Social security contribution	206,503	194,041
Medical expenses	139,607	121,708
Gratuity	142,232	149,530
Other staff costs	270,107	245,833
	<u>1,957,158</u>	<u>1,833,715</u>
Direct labour	829,220	892,568
Operating expenses	1,127,938	941,147
	<u>1,957,158</u>	<u>1,833,715</u>
13 FINANCE COSTS		
Interest expenses	1,118,198	1,133,513
	<u>1,118,198</u>	<u>1,133,513</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

14 PROPERTY, PLANT AND EQUIPMENT

	Land TZS '000	Building TZS '000	Plant & machinery		Cylinders TZS '000	Motor vehicles TZS '000	Office equipment TZS '000	Work in progress TZS '000	Total 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)	(0)	
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	2,656,605	1,578,385	259,955	1,995,318	18,802,022	
Carrying value									
At 31 December 2014	94,100	2,030,595	8,480,078	1,919,814	1,690,144	291,406	2,185,465	16,691,603	

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

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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

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 2014	94,100	1,169,611	8,331,852	1,705,887	2,039,629	656,623	7,021,568	21,019,270
Additions	-	199,861	273,202	837,699	1,266,939	78,202	2,272,270	4,928,173
Transfer	-	950,925	6,157,447	-	-	-	(7,108,373)	-
Disposal	-	-	-	-	(157,151)	-	-	(157,151)
At 31 December 2014	94,100	2,320,397	14,762,501	2,543,586	3,149,417	734,825	2,185,465	25,790,292
Accumulated depreciation								
At 1 January 2014	-	250,862	5,472,775	546,311	1,138,621	377,737	-	7,786,306
Charge for the year	-	38,940	809,648	77,461	365,253	65,682	-	1,356,985
Disposal	-	-	-	-	(44,602)	-	-	(44,602)
At 31 December 2014	-	289,802	6,282,423	623,772	1,459,272	443,419	-	9,098,689
Carrying value								
At 31 December 2014	94,100	2,030,595	8,480,078	1,919,814	1,690,144	291,406	2,185,465	16,691,603

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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	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	2,251,134	2,021,168
Weighted average number of ordinary shares	55,835,533	55,835,533
Basic earning per share (TZS)	40.32	36.20
Basic and diluted earning per share (TZS)	40.32	36.20
16 INTANGIBLES		
Cost		
At 1 January	169,446	150,606
Additions	1,180	18,840
31 December	170,626	169,446
Accumulated amortization		
At 1 January	105,312	81,708
Charge for the year	23,830	23,604
31 December	129,142	105,312
Carrying value		
31 December	41,484	64,134
17 INVENTORIES		
Raw materials	1,121,244	1,174,307
Finished goods	581,134	827,673
Welding machines equipment	790,965	872,663
Medical machines equipment	127,378	131,105
	2,620,721	3,005,748
The inventory of TZS 1,414 Million (2014: TZS 1,372 Million) was recognised as an expense for the inventories.		
18 TRADE AND OTHER RECEIVABLES		
Trade receivables	3,570,631	3,360,290
Staff receivables	67,567	52,094
Advance to suppliers	736,577	682,668
Prepayments	557,841	306,720
	4,932,616	4,401,772
Provision for impairment	(380,385)	(380,385)
	4,552,231	4,021,387
Trade receivables are non-interest bearing and are generally on 30-90 days terms.		
As at 31 December 2015, trade receivables amounting to TZS 380,385 (2014: 380,385TZS) were impaired and fully provided for.		
Movement on the provision for impairment of trade and other receivables:		
At 1 January	380,385	412,585
Charge for the year	-	-
Recoveries during the year	-	(32,200)
At 31 December	380,385	380,385

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	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	2,667,919	1,828,499
31 - 60 days	214,580	266,299
61 - 90 days	328,483	262,587
Over 90 days	359,649	1,002,905
	<u>3,570,631</u>	<u>3,360,290</u>

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

Amount is in TZS	735,417	792,971
	<u>735,417</u>	<u>792,971</u>
19 CASH AND CASH EQUIVALENTS		
Cash in hand	7,158	15,072
Cash at Bank	447,419	73,944
	<u>454,577</u>	<u>89,016</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	454,577	89,016
Bank overdrafts (Note 24)	(2,904,138)	(2,462,716)
	<u>(2,449,561)</u>	<u>(2,373,700)</u>

Cash and cash equivalents comprise of the following amounts denominated in foreign currency - (USD):

Amount is in TZS	324,028	66,831
	<u>324,028</u>	<u>66,831</u>
20 SHARE CAPITAL		
Authorized		
60 million Ordinary Shares of TZS 100 each	6,000,000	6,000,000
55,835,533 (2014: 55,835,533) Ordinary Shares issued and fully paid	5,583,553	5,583,553
	<u>5,583,553</u>	<u>5,583,553</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

At 01 January	1,029,770	1,246,564
Loan received during the year	-	-
Repayment during the year	(216,794)	(216,794)
As at 31 December	<u>812,976</u>	<u>1,029,770</u>
Long term portion	596,183	812,976
Current portion	<u>216,794</u>	<u>216,794</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015	2014
	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	3,244,179	4,128,955
Loan received during the year	-	-
Repayment during the year	(884,776)	(884,776)
As at 31 December	2,359,403	3,244,179
Long term portion	1,474,627	2,359,402
Current portion	884,776	884,776
Total long term loan	2,070,810	3,172,379
Total current portion loan	1,101,570	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 in Mwanza city;		
(ii) Debenture over machinery and equipments installed in landed property - Plot No. 41 Nyakato Industrial Area in Mwanza city;		
(iii) Legal mortgage over Company's industrial landed property - Plot No. 4 Pugu Industrial Area in Dar es Salaam City		
(iv) Debenture over machinery and equipments installed in landed property - Plot No. 4 Pugu Industrial Area in Dar es Salaam City.		
22 TAXATION		
a) Income tax expense		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous year	-	-
Deferred tax charge	(51,070)	269,493
Income tax reported in the income statement	(51,070)	269,493
A reconciliation between tax expense and accounting profit multiplied by Tanzania Corporate tax for the year ended 31 December 2015 and 2014 as follow:		
Accounting before income tax	2,200,065	2,290,661
At Tanzania's statutory income tax rate 30% (2014; 30%)	(660,020)	(687,198)
Non deductible expenses for tax purpose		
Non deductible expenses	(287,024)	1,456
Accelerate depreciation	975,419	1,140,691
Tax losses for prior years utilised	30,888	(724,445)
Gain on disposal of fixed assets	(8,195)	-
	51,068	(269,496)

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>2015</u>	<u>2014</u>
	TZS '000	TZS '000
22 TAXATION (Continued)		
b) Tax recoverable/payable		
Balance at 1 January	39,260	339,260
Tax charge for the year	-	-
Repayment made	<u>(39,260)</u>	<u>(300,000)</u>
	<u>-</u>	<u>39,260</u>
Tax assessments have been made up to 2011.		
c) Deferred tax		
Deferred tax relates to the following :-		
Accelerated depreciation for tax purposes	3,251,394	3,802,304
Tax losses	<u>(237,497)</u>	<u>(618,177)</u>
	<u>3,013,898</u>	<u>3,184,127</u>
Deferred tax liabilities thereon at 30%	904,168	955,238
Less: Opening deferred tax	<u>955,238</u>	<u>685,745</u>
Deferred tax expense	<u>(51,070)</u>	<u>269,493</u>

Deferred tax liabilities / 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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>2015</u>	<u>2014</u>
	TZS '000	TZS '000
23 TRADE AND OTHER PAYABLES		
Trade payables	974,212	875,699
Other payables	131,175	110,865
Accrual expenses	1,224,945	1,246,423
VAT Payables	3,199,221	2,438,356
Statutory deduction (PAYE & NSSF)	849,797	771,805
	<u>6,379,349</u>	<u>5,443,148</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	92,424	222,806
South African Rand	-	2,099
Sterling Pound (GBP)	188,518	-
Total - Tanzania Shillings	<u>280,942</u>	<u>224,905</u>

24 BANK OVERDRAFT

The Company had secured an overdraft facility with CRDB Bank of TZS 3 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>2,904,138</u>	<u>2,462,716</u>
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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	627,611	498,861
Deposits made during the year	530,910	341,911
Refunds made during the year	(368,621)	(213,161)
	<u>789,900</u>	<u>627,611</u>

26 EMPLOYEES PENSION

The company operates a defined contribution plan through a pension scheme to which both the employet and employee contribute. Some employees are members of the National Socila 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 contribue 5% and employer 15%.

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

NSSF and PPF	<u>221,990</u>	<u>194,041</u>
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TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>2015</u>	<u>2014</u>
	TZS '000	TZS '000
27 RELATED PARTY TRANSACTIONS		
During the year, the company entered into transactions with related parties as follow:		
Key management remuneration		
Short term benefits	845,470	780,566
Other long term benefits	61,671	61,671
Directors remuneration	18,000	18,000
	<u>925,142</u>	<u>860,237</u>

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

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 (2014:70%). The Company assessed the concentration of risk with respect to financing its debt and concluded it to be low.

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

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	826,179	2,578,391	-	3,679,961
Bank overdraft	2,904,138	-	-	-	-	2,904,138
Trade and other payables	4,427,172	682,549	-	-	-	5,116,421
Cylinder deposits	789,900	-	-	-	-	789,900
	8,213,007	866,143	826,179	2,578,391	-	12,490,420

Year ended 31 December 2014

	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	826,179	3,856,229	-	4,957,781
Bank overdraft	2,462,716	-	-	-	-	2,462,716
Trade and other payables	3,465,230	1,246,421	771,805	-	-	5,483,457
Cylinder deposits	627,611	-	-	-	-	627,611
	6,647,354	1,430,015	1,597,984	3,856,229	-	13,531,565

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

b) Foreign currency risk

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

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 including non-designated foreign currency derivatives and embedded derivatives.. The Company's exposure to foreign currency changes for all other currencies is not material.

	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%	-94,552	-66,187
	-10%	+94,552	+66,187

	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 2014	+10%	-86,784	-86,784
	-10%	+86,784	+86,784

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 2015 and 16% during the year 2014. Furthermore, no significant change in interest rates is expected for the coming twelve months.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

c) Interest rate risk (Continued)

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.

2015	Increase/(decrease) in basis point	Effect on profit before tax
TZS	5	(60,610)
TZS	(5)	(60,610)
2014	Increase/(decrease) in basis point	Effect on profit before tax
TZS	5	40,761
TZS	(5)	(40,761)

d) Credit risk management

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

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

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

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

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

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

The analysis of trade and other receivables including the exposure to credit risk is detailed as per note 18.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) Credit risk management

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.

		2015 TZS '000	2014 TZS '000
Neither past due nor impaired	Up to 30 days	2,567,919	1,828,499
Past due but not impaired	31 - 60 days	214,580	266,299
	61 - 90 days	328,483	262,587
Past due but impaired	Over 90 days	459,649	1,002,905
		3,570,631	3,360,290
Less: Impaired	Over 90 days	380,385	380,385
Net receivables		3,190,246	2,979,905

29. LEASE COMMITMENTS

The company had no lease commitments at year end (2014: 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.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Financial assets	2015			Carrying amount TZS'000
	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	
Cash and bank balances	-	454,577	-	454,577
	-	454,577	3,037,580	
Financial liabilities				
Interest bearing loans	-	3,172,379	-	4,273,949
Bank overdrafts	-	2,904,138	-	2,904,138
	-	6,866,417	5,109,721	

Financial assets	2014			Carrying amount TZS'000
	Level 1 TZS'000	Level 2 TZS'000	Level 3 TZS'000	
Cash and bank balances	-	89,016	-	89,016
		89,016	4,021,387	
Financial liabilities				
Interest bearing loans	-	4,273,949	-	4,273,949
Bank overdrafts	-	2,462,716	-	2,462,716
	-	6,736,666	986,564	

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 2015 equals the fair value in respect of the prevailing rate on the outstanding balance.

Interest bearing loan Interest rate p.a. is 16% fixed for the entire Loan period, changes in Inflation rate are minimal in Tanzania e.g. 6.8% in the current year (2014: 6.2%). Therefore the carrying amount is the best estimation of the fair value.

TOL GASES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 31 DECEMBER 2015

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

- 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 2015 and 31 December 2014.

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;

At 31 December 2015, the net debt ratio was 46.52% (2014: 54.64%)

	2015	2014
	TZS'000	TZS'000
Gross debt		
Interest bearing loans and borrowings	3,172,379	4,273,949
Bank overdrafts	2,904,138	2,462,716
Trade and other payables	5,109,721	5,483,457
Cash and bank balance	(454,577)	(89,016)
Net debts	<u>10,731,661</u>	<u>12,131,106</u>
Equity	<u>12,270,030</u>	<u>10,068,918</u>
Capital and debt	<u>23,001,691</u>	<u>22,200,024</u>
Net debt ratio	46.52%	54.64%

TOL GASES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 31 DECEMBER 2015**

32. CONTINGENT LIABILITIES

There are no material contingencies as at 31 December 2015, 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

The following events occurred in January 2016.

- i. The company obtained a loan for financing the improvement of current operations from Tanzania Investment bank of TZS 3.4 billion which will enable the company increase its production and operation efficiency.
- ii. The company has secured a business of supplying CO2 to BOC Zimbabwe amounting to TZS 1.6 billion. Advance payment of TZS 800 Million has already been received.