TOL GASES LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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FOR THE YEAR ENDED 31 DECEMBER 2020

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TOL GASES LIMITED

COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020

PRINCIPAL PLACE OF BUSINESS

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

BANKERS

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

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

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

UBA BANK
P.O Box 80514
Dar es Salaam
Tanzania

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

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

COMPANY AUDITOR

KPMG
The Luminary
Plot No.574, Haile Selassie Road
Msasani Peninsula Area
P.O. Box 1160
Dar es Salaam

COMPANY LAWYERS

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

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

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

1. INTRODUCTION

The Directors present their annual report and the audited financial statements for the financial year ended 31 December 2020 which disclose the state of affairs of TOL Gases Limited as at that date. The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors as indicated on the statement of financial position.

2. INCORPORATION

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

3. COMPANY'S VISION

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

4. COMPANY'S MISSION

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

5. PRINCIPAL ACTIVITY

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

6. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors who served the Company since 1 January 2020 and up to the date of this report are:

Name	Position	Age (years)	Nationality	Appointment
Mr. Michael Shirima	Chairman	77	Tanzanian	28 April 2014
Mr. Godfrey Urasa*	Director	78	Tanzanian	28 April 2014
Mr. Simon Mponji	Director	77	Tanzanian	28 April 2014
Mr. Justin Massawe	Director	40	Tanzanian	28 April 2014
Mr. Selestine Some	Director	45	Tanzanian	1 April 2019
Prof Abraham Temu	Director	62	Tanzanian	24 August 2018
Eng. Joseph Machange	Director	70	Tanzanian	24 August 2018

All Directors were non-executive. The Company secretary during the year ended 31 December 2020 was David Mchangilla.

*This director deceased subsequent to year end on 13 March 2021.

7. BOARD COMMITEES

AUDIT COMMITTEE

Name	Position	Age	Nationality
Mr. Godfrey Urasa*	Chairman	78	Tanzanian
Mr. Simon Mponji	Member	77	Tanzanian
Prof Abraham Temu	Member	62	Tanzanian

*This director deceased subsequent to year end on 13 March 2021.

7. BOARD COMMITEES (CONTINUED)

INVESTMENT COMMITEE

Name	Position	Age	Nationality
Mr. Justine Massawe	Chairman	40	Tanzanian
Mr. Selestine Some	Member	45	Tanzanian
Prof Abraham Temu	Member	62	Tanzanian

Following reassignment of the investment committee members, there was no investment committee meeting during the year under review.

8. DIRECTORS' REMUNERATION

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

	TZS
Chairman of the Board	9,411,765
Other directors	7,058,824

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

	TZS
Chairman of the Board	800,000
Other directors	600,000

9. SHAREHOLDING

The total number of shares issued at the end of the year 2020 was 57,505,963 (2019: 57,505,963).

Shareholder	Number of shares	%
M/S Erncon Holding Limited	8,017,389	13.94
Ernest Saronga Massawe	6,700,074	11.65
Goodison Fourthy Seven Limited	6,381,317	11.10
Treasury Registrar	3,570,457	6.21
Anorld B.S. Kilewo	3,110,416	5.41
Godfrey Urasa	2,618,030	4.55
Harold Temu	2,507,740	4.36
Michael Shirima	1,680,405	2.92
Lake Chala Safari Lodge	1,430,067	2.49
William M. Lyakurwa	1,099,608	1.91
Public Service Social Security Fund	1,083,333	1.88
Joseph C. N. Machange	1,029,584	1.79
Sayed H. Kadri & others	1,015,509	1.77
Justine Massawe	400,100	0.70
Simon Mponji	44,851	0.08
Prof. Abraham K. Temu	10,075	0.01
Others	16,807,008	29.23
TOTAL	**57,505,963**	**100.00**

10. CAPITAL STRUCTURE

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

Authorised Share Capital

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

Called up and fully paid share capital

57,505,963 ordinary shares of TZS 100 each (2019: 57,505,963 ordinary shares).

11. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

TOL Gases Limited is committed to the principles of effective corporate governance and the Board is of the opinion that the Company currently complies with principles of good corporate governance. For better corporate governance the Board has Audit and Investment committees. Audit committee deals with Audit, Finance, Planning and Administration, while the Investment committee deals with Investments.

The Board of Directors

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

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

11. CORPORATE GOVERNANCE (CONTINUED)

Performance evaluation and reward

Details of the remuneration paid to key management are disclosed in Note 28 to the financial statements. The Company benchmarks its reward system with prevailing going rate in the labour market to ensure that it is able to recruit and retain the best available talent. A bonus scheme is in place to ensure collective and individual contribution towards the success of the Company is recognised and rewarded.

The Board accepts final responsibility for the risk management and internal control systems of the Company. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis 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 2020 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 general public. The Directors and staff are expected to fulfil their ethical obligations in such a way that the business is run strictly according to fair commercial competitive practices.

Financial reporting and auditing

The Directors accept final responsibility for the preparation of the annual financial statements which give true and fair view of:

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

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

11. CORPORATE GOVERNANCE (CONTINUED)

The external auditors of the Company report on whether or not the annual financial statements give true and fair view. The Directors are satisfied that during the year under review:

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

The Directors are also satisfied that no material event has occurred between the financial year-end and the date of this report which affects the business or has not been reported.

The Directors are of the opinion that the Company has sufficient resources and commitments at its disposal to operate the business in the foreseeable future. The financial statements have been prepared on a going concern basis.

12. MANAGEMENT

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

- Finance
- Production and Engineering
- Sales, Marketing and Business Development
- Human Resources and Administration

The key management personnel who served the Company during the year ended 31 December 2020 were:

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

13. FUTURE DEVELOPMENT PLANS

The Company managed to procure a brand-new Air Separation Unit to replace the aged and oversized Aspen 1000 plant during the year. Installation and commissioning this new plant will be completed by July 2021. This move will save the Company considerable amount of cost, improve the Company's cash position but most importantly will end the perennial lack of reliability of supplies for oxygen and nitrogen gases in the Tanzanian market as well as the neighbouring countries. The Company will embark on revitalising its route to the market for the industrial gases now that the supplies are assured with own operated customer centres in the major cities in Tanzania.

Additionally, the Company is in the process of doubling its carbon dioxide production capacity as well as distribution capacity during the year 2021. This follows the rise in demand for carbon dioxide within the country as well as from the neighbouring Southern African Development Community (SADC) countries to the point that the current capacity cannot cope with the rising demand. Key to the Company's confidence in making these investments is the increasing number of blue-chip bottling and brewing companies expressing their willingness to enter into long term commitment with TOL for the supply of food grade carbon dioxide.

Future outlook

The Company is expecting an increase in profitability following commissioning of the new air separation plant. It is also expecting a recovery of dissolved acetylene demand considering that oxygen will be constantly available. The Company is also expecting to resume development of the Kenyan market for liquid nitrogen as well as liquid oxygen which will ultimately increase profitability.

Additionally, investment in an additional production capacity for carbon dioxide will go a long way into defending the Company's regional as well as national CO_2 market that has been challenged by competition from neighbouring country as well as increase the Company's financial performance going forward.

14. DIVIDEND

The directors recommend payment of TZS 34.78 per share (2019. TZS 17.37) to shareholders as final dividend. In making this proposal the directors have taken into account the financial situation of the Company and its future needs for implementing replacement and improvement projects.

15. PERFORMANCE FOR THE YEAR

Sales revenue increased by 15%, to TZS 19.82 billion from TZS 17.25 billion in 2019. EBITDA improved by 6.5% to TZS 6.6 billion from TZS 6.2 billion in 2019 driven by the increase in revenue and operational efficiencies.
The detailed financial performance of the Company during the year is set out on page 18 showing a profit before tax of TZS 3,838 million (2019: TZS 3,086 million), an increase of 24% from prior year, while the sales increased by 15% from the prior year.
The Company's cash generated from trading activities improved by 11% from TZS 5.97 billion recorded in 2019 to TZS 6.015 billion in 2020.The net cash flows from operations, and the EBITDA performance, are testament that the Company's operational business fundamentals and outlook continue to be positive. The Company continues to be committed to its sales and operational efficiency as it seeks to continue enhancing value for its stakeholders.

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 at least for the next twelve months from the date of approval of these financial statements.

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 22 to 42, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

18. INVESTMENTS

The Company made investments in property, plant and equipment to the value of TZS 7.0 billion during the year ended 31 December 2020 (2019: TZS 3.280 billion).

19. EMPLOYEES' WELFARE

Management and Employees' Relationship

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

Training Facilities

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

Medical Assistance

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

Health and Safety

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

19. EMPLOYEES' WELFARE (CONTINUED)

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 Savings and Credit Co-Operative Society (SACCOS). The Company supports the staff's SACCOS by managing the recoverability of the loan through payroll deductions.

Retirement Benefits

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

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

20. GENDER PARITY

The Company is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2020 the Company has 95 male and 21 female employees.

21. RELATED PARTY TRANSACTIONS

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

22. POLITICAL DONATIONS

The Company did not make political donations during the year.

23. ENVIRONMENTAL CONTROL PROGRAMME

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

24. QUALITY

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

25. CORPORATE SOCIAL INVESTMENT

During the year TOL Gases Limited continued to support Tanzanian society through its Corporate Social Responsibility program. The Company participated in the construction of two classrooms at Itagata secondary school in Rungwe district and one classroom at Mpata primary school in Busekelo district.

26. AUDITOR

The auditor, KPMG, has expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of KPMG as auditor of the Company for year 2021 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Mr. Simon Mponji	**Date**
Director	30 June 2021

TOL GASES LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2020

The Company's directors are responsible for the preparation of financial statements that give a true and fair view of TOL Gases Limited ("the Company"), comprising the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2002.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

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

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of TOL Gases Limited, as identified in the first paragraph, were approved and authorised for issue by the Directors on 30 June 2021.

....

Mr. Simon Mponji
Director

Date: 30 June 2021

....

Prof. Abraham K. Temu
Director

Date: 30 June 2021

TOL GASES LIMITED

DECLARATION OF THE HEAD OF FINANCE
FOR THE YEAR ENDED 31 DECEMBER 2020

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view position of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under Directors' Responsibilities' statement on an earlier page.

I, **Evarist Tilafu**, being the Head of Finance of TOL Gases Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2020 have been prepared in compliance with the applicable accounting standards and statutory requirements.

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

____

Signed by: Evarist Tilafu

Position: Head of Finance

NBAA Membership No: GA4015

Date: 30 June 2021

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

Telephone +255 22 2600330
Fax +255 22 2600490
Email info@kpmg.co.tz
Internet www.kpmg.com/eastafrica

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TOL GASES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TOL Gases Limited ("the Company") set out on pages 18 to 63, which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of TOL Gases Limited as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002.

Basis for Opinion

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

Emphasis of Matter - comparative information

We draw attention to Note 35 to the financial statements which indicates that the Company corrected prior period errors and made retrospective adjustments to the comparative information in the accompanying financial statements. Consequently, the comparative financial information in the accompanying financial statements has been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

KPMG

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

1. Revenue recognition	
Refer to the revenue accounting policy Note 5(a) revenue and the revenue streams Note 7	
Key audit matter	**How the matter was addressed in our audit**
Revenue of the Company comprises of three categories, industrial gases, medical gases and related accessories. Revenue is recognized once a proof of delivery to customer and other relevant documentation such as weighbridge documents have been submitted and accepted by the company; the volumes handled during the year are generally large. Some sales transactions are individually material and require significant judgement in determining whether performance obligations embedded in the sales contracts have been met at the reporting date given multiple deliverables or performance obligations combined in one contract. We have determined revenue recognition to be a key audit matter because of multiple performance obligations combined in one contract and the large size of some contracts which required a significant audit effort.	Our audit procedures in this area included: — Evaluating whether recognized revenue agrees to signed/stamped customer delivery note and checking that performance obligations were properly identified and evaluated as having been satisfied or met prior to recognising revenue; — Assessing the completeness of revenue by inspecting credit notes raised on all revenue categories as well as evaluating sales made near the period end and after period end to assess whether revenue was recognised in the correct accounting period; and — Evaluating the completeness and adequacy of disclosures in the financial statements, especially the revenue recognition policy and judgements made in revenue recognition in accordance with the requirements of IFRS 15 *Revenue from Contracts with Customers*

KPMG

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

Report on the Audit of the Financial Statements (continued)

Other Matter relating to comparative information

The financial statements of TOL Gases Limited as at and for the year ended 31 December 2019, excluding the retrospective adjustments described in Note 35 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 June 2020.

As part of our audit of the financial statements as at and for the year ended 31 December 2020, we also audited the retrospective adjustments described in Note 35 to the financial statements that were applied to restate the comparative information. We were not engaged to audit, review, or apply any procedures to the comparative information, other than with respect to the retrospective adjustments described in Note 35 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on comparative information. However, in our opinion, the retrospective adjustments described in Note 35 to the financial statements are appropriate and have been properly applied.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the document titled *TOL Gases Limited Annual Report and Audited Financial Statements for the year ended 31 December 2020 but* does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

KPMG

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

Report on the Audit of the Financial Statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Audit of the Financial Statements (continued)

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG
Certified Public Accountants (T)

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

Date: 30 June 2021

TOL GASES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS '000	2019 TZS '000
Revenue	7	19,816,325	17,252,567
Cost of sales	8	(11,372,996)	(9,503,163)
Gross profit		**8,443,329**	**7,749,404**
Other income	9	77,593	125,407
Operating expenses	10	(3,797,948)	(3,735,887)
Trade receivables impairment release		30,997	77,904
Operating profit		**4,753,971**	**4,216,828**
Finance costs	11	(916,032)	(1,130,167)
Profit before tax		**3,837,939**	**3,086,661**
Income tax expense	22(a)	(1,493,808)	(832,690)
Profit for the year		**2,344,131**	**2,253,971**
Other comprehensive income		-	-
Total comprehensive income		**2,344,131**	**2,253,971**
Earnings per shares (TZS)			
– Basic	26	0.04076	0.03920
– Diluted		0.04076	0.03920

TOL GASES LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 TZS '000	Restated* 2019 TZS '000
ASSETS			
Non-current Assets			
Property, plant and equipment	13	25,391,918	20,324,464
Right-of-use assets	14 (b)	325,331	327,348
Intangible asset	15	370,875	153,576
		26,088,124	**20,805,388**
Current assets			
Inventories	16	4,548,373	5,296,263
Trade and other receivables	17	5,818,230	4,524,264
Cash and bank balances	18	604,357	374,537
Asset held for sale	19	2,674,275	2,658,558
		13,645,235	**12,853,622**
TOTAL ASSETS		**39,733,359**	**33,659,010**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	5,750,596	5,750,596
Share premium		6,762,049	6,762,049
Retained Earnings		10,462,810	9,117,558
		22,975,455	**21,630,203**
Non-current liabilities			
Long term borrowings	21 (b)	3,806,949	3,747,465
Lease liabilities	14(a)	45,486	39,751
Deferred tax liability	22 (c)	2,257,024	1,722,551
		6,109,459	**5,509,767**
Current liabilities			
Trade and other payables	23	1,869,927	1,109,951
Lease liabilities	14(a)	189	6,016
Tax payable	22(b)	867,563	521,700
Bank overdraft	24	3,014,454	3,176,570
Cylinder deposits	25	459,052	658,281
Current portion of loans	21 (b)	4,437,260	1,046,522
		10,648,445	**6,519,040**
TOTAL EQUITY AND LIABILITIES		**39,733,359**	**33,659,010**

*See details of restatement on Note 35

The financial statements on pages 18 to 63 were approved and authorised for issue by the board of directors on 30 June 2021 and signed by:

Mr. Simon Mponji
Director

Prof. Abraham K. Temu
Director

The notes on pages 22 to 63 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Retained earnings	Total
	TZS '000	TZS '000	TZS '000	TZS '000
At 1 January 2019	5,750,596	6,762,049	7,974,355	20,487,000
Profit for the year	-	-	2,253,971	2,253,971
Transactions with the owners of the Company				
Dividends declared	-	-	(1,039,448)	(1,039,448)
Total transaction with the owners of the Company	**-**	**-**	**(1,039,448)**	**(1,039,448)**
At 31 December 2019	**5,750,596**	**6,762,049**	**9,188,878**	**21,701,523**
1 January 2020				
At the start of the year as previously reported	5,750,596	6,762,049	9,188,878	21,701,523
Impact of correction of error*	-	-	(71,320)	(71,320)
1 January 2020 (Restated)	**5,750,596**	**6,762,049**	**9,117,558**	**21,630,203**
Profit for the year	-	-	2,344,131	2,344,131
Transactions with the owners of the Company				
Dividends declared	-	-	(998,879)	(998,879)
Total transaction with the owners of the Company			**(998,879)**	**(998,879)**
At 31 December 2020	**5,750,596**	**6,762,049**	**10,462,810**	**22,975,455**

*See note 35 for the details of the restatement.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 TZS '000	Restated 2019 TZS '000
OPERATING ACTIVITIES:			
Profit before tax		3,837,939	3,086,661
Adjustment for non-cash items:			
Depreciation and amortisation	13	1,880,414	2,005,328
Depreciation of right-of-use assets	14(b)	2,017	1,404
Amortisation of intangibles	15	1,150	501
Interest expense on Bank Loan	21	877,143	-
Interest expense on lease liability		7,464	7,476
Impairment loss in trade receivables		(30,997)	(77,904)
Loss on disposal of fixed assets		29,830	2,000
		6,604,960	**5,025,466**
Movements in working capital			
Change in inventories		747,890	(758,525)
Change in trade and other receivables		(1,262,969)	814,774
Change in cylinder deposits		(199,229)	99,657
Change in trade and other payables		801,639	14,670
Cash generated from operating activities		**6,692,291**	**5,196,042**
Corporate tax paid	22	(613,238)	(314,844)
Interest paid		(884,607)	(7,476)
Net cash flows generated from operating activities		**5,194,446**	**4,873,722**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(7,049,018)	(3,555,680)
Purchase of intangibles		(218,449)	-
Net cash flows used in investing activities		**(7,267,467)**	**(3,555,680)**
FINANCING ACTIVITIES:			
Proceeds from Loan	21	4,626,185	883,986
Repayment of borrowings	21	(1,168,499)	(1,020,000)
Dividend payment		(985,173)	(1,039,448)
Payment of principal lease liabilities	14	(7,556)	(12,989)
Net cash flows generated from/(used) in financing activities		**2,464,957**	**(1,188,451)**
Net decrease in cash and cash equivalent		391,936	129,591
Cash and cash equivalents at 1 January		(2,802,033)	(2,931,624)
Cash and cash equivalents at 31 December	18	**(2,410,097)**	(2,802,033)

1. CORPORATE INFORMATION

The Company is incorporated in Tanzania under the Companies Act 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

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002. They were authorized for issue by the Company's Board of Directors on 30 June 2021.

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

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

b) Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that that the Company will continue in operation for at least one year from the date of the audit report and will be able to realize its assets and discharge its liabilities in the ordinary course of business.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

A number of other new standards listed below are also effective from 1 January 2020 but they do not have a material effect on the Company's financial statements.

New currently effective standards/amendments

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

4. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reporting amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on ongoing basis. Revisions to estimates are recognized prospectively.

a) Judgements, assumptions and estimation uncertainties

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

Taxes

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

Asset useful lives

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

Impairment of non-financial assets

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

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

a) Judgements, assumptions and estimation uncertainties (Continued)

Going concern

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

Measurement of ECL allowance for trade receivable

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

Lease term

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

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

b) Determination and measurement of fair values

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either, in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Company.

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

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

4. USE OF JUDGEMENTS AND ESTIMATES (CONTINUED)

b) Determination and measurement of fair values

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenues from operations consist of revenue from sale of goods and services. Revenue represents income arising in the course of an entity's ordinary activities, which leads to an increase of economic benefits during the accounting period.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Upon delivery of goods to the respective customers, a delivery note is signed by both parties which serves as evidence of satisfaction of performance obligation. In case of significant judgment involving performance obligations, these are assessed with management in line with revenue recognition principles and revenue is only recognized for performance obligations that have been satisfied by the year end. The Company applied the portfolio approach in assessing the contracts. Revenue is stated net of value-added tax (VAT).

The five-step model stipulated in IFRS 15 Revenue from contracts with customers is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer as follows:

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Revenue recognition (Continued)

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

Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, generally on delivery of the equipment.

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

b) Interest and similar income and expenses

Interest income

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Interest and similar income and expenses (Continued)

Interest income (Continued)

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Foreign exchange gain and losses

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

Gain or loss on disposal of property plant and equipment

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

c) Property, plant and equipment

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

Recognition and measurement

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

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs related to the acquisition or construction of qualifying assets are capitalised as incurred.

Subsequent cost

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Property, plant and equipment (Continued)

Subsequent cost (Continued)

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

Depreciation

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

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

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

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

Derecognition

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) 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.

d) Intangible asset

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

e) Inventories

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

Raw materials:

Cost is determined by weighted average cost basis.

Finished goods and work in progress:

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Employees' benefits

Short-term employee benefits

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

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

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

Defined contribution plan

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

Terminal benefits

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) 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.

h) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years.

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Taxes

Income tax

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

Current tax

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

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

Deferred tax

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Taxes (continued)

Deferred tax

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

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

Value added tax

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

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

Capital gain taxes

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

Tax exposures

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

j) Financial instruments

i. Recognition and measurement

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

ii. Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

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

Financial assets - Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets - Business model assessment (continued)

- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

ii. Classification and subsequent measurement (continued)

Financial assets - Subsequent measurement and gains and losses

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

Financial liabilities - Classification, subsequent measurement and gains and losses

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

iii. Impairment of financial assets and contract assets

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Financial instruments (continued)

iii. Impairment of financial assets and contract assets (continued)

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

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

iv. Derecognition

Financial assets

The Company derecognises a financial asset when:

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

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

Financial liabilities

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

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

v. Offsetting

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Intangible assets

i. Recognition and Measurement

Intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

ii. Subsequent expenditure

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

iii. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

l) Cylinder deposits

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

m) Foreign currency translation

Functional and Presentation Currency

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

Transactions and balances

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Leases

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

i. Leases in which the Company is a lessee

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

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

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

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

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Leases (continued)

i. Leases in which the Company is a lessee (continued)

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

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

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

Short-term leases and leases of low-value assets

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

COVID-19-related rent concessions

The Company has applied *COVID-19-Related Rent Concessions – Amendment to IFRS 16.* The Company applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Company applies the practical expedient consistently to contracts with similar characteristics and in similar circumstances. For rent concessions in leases to which the Company chooses not to apply the practical expedient, or that do not qualify for the practical expedient, the Company assesses whether there is a lease modification.

ii. *Leases in which* the Company is a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lese; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Trade and other receivables

Receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

p) Share capital and equity

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

q) Trade and other payables

Trade payables are initially measured at fair value and subsequently at amortized cost.

r) Provisions

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

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

s) Foreign currencies

Transactions and balances

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

t) Comparative figures

Where necessary, prior year comparative figures have been reclassified to conform to presentation in the current year.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Dividend distribution

It is the Company's policy to pay 50% of its profit for the year as dividends to its shareholders subject to declaration by the directors and approval. Final dividends distribution to the Company's shareholders is recognized as a liability in the Company's balance sheet in the period in which the dividends are approved by the Company's Board of Directors. Directors may from time to time pay interim dividend to members as appear to the directors to be justified by the profit of the Company. Dividends are subject to a withholding tax of 5%. However, the directors resolved not to declare and pay dividend for 2020 because the Company made a loss during the year. Divided paid is classified under financing activities in the statement of cashflows.

v) Basic and Diluted earnings per share

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

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

w) Non-current assets held for sale

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

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

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

6. DEPARTMENTAL REPORTING

The Company’s revenue is derived from sale of goods (as disclosed in note 7) and the Board of Directors relies primarily on revenue from sale of goods to assess performance. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the Statement of profit or loss and other comprehensive income. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment for each department. Assessment for each department is done by analysing expenditures incurred compared to approved budget. Day to day decision making and implementation of the budget is done by management executives through monthly meetings.

		2020	2019
		TZS '000	TZS '000
7.	**REVENUE**		
	Industrial gases	19,101,155	16,514,526
	Accessories	383,946	580,943
	Installation, rental and services	331,224	157,098
		19,816,325	**17,252,567**
8.	**COST OF SALES**		
	Direct Cost		
	Raw material	1,763,160	808,049
	Direct labour (Note 12)	1,427,265	1,119,836
	Transport costs	4,251,133	3,518,303
	Depreciations of assets involved in the production	1,780,494	1,896,561
	Overheads	1,449,934	1,125,881
	Electricity and generator	701,010	1,034,533
		11,372,996	**9,503,163**

The makeup of the direct cost consists of TZS 1,897 Million (2019: TZS 1,897 million) which is part of the total depreciation cost. This depreciation is directly associated with the production.

		2020	2019
		TZS '000	TZS '000
9.	**OTHER INCOME**		
	Interest, installation and fixing of plants*	107,423	123,407
	Profit on sale of fixed assets	(29,830)	2,000
		77,593	**125,407**

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

		2020	2019
		TZS '000	TZS '000
10	**OPERATING EXPENSES**		
	Audit fees	65,871	99,281
	Legal and professional fees	110,362	135,392
	Depreciation	101,938	110,172
	Amortisation	1,150	501
	Staff cost (Note 12)	2,465,209	2,455,550
	Bank charges	985,149	34,717
	Administration cost	68,269	900,274
		3,797,948	**3,735,887**

The depreciation cost of TZS 102 Million (2019: TZS 110 Million) is part of the total depreciation cost of TZS 1,880 Million (2019: TZS 2,005 Million) as disclosed on the note 13.

	2020 TZS '000	2019 TZS '000
11. FINANCE COSTS		
Interest expense on lease liabilities (Note 14(c))	7,464	7,476
Interest expense on borrowings and overdraft (Note 21)	877,143	1,119,296
Foreign exchange loss	31,425	3,395
	916,032	**1,130,167**
12. STAFF COST		
Salaries and wages	2,381,281	2,229,247
Statutory deductions	419,797	364,594
Medical expenses	209,673	203,576
Gratuity	278,961	120,969
Other staff costs*	602,762	657,000
	3,892,474	**3,575,386**
Direct labour	1,427,265	1,119,836
Operating expenses	2,465,209	2,455,550
	3,892,474	**3,575,386**

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Plant & machinery	Cylinders	Motor vehicles	Office equipment	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	
Cost								
As Reported at 31 December 2019	**737,101**	**2,493,962**	**14,955,265**	**5,550,540**	**7,179,704**	**985,510**	**1,790,786**	**33,692,868**
Correction of error*	(348,792)	-	-	-	-	-	302,792	(46,000)
Reclassification to intangible asset	-	-	-	-	-	-	(153,242)	(153,242)
As restated at 31 December 2019	**388,309**	**2,493,962**	**14,955,265**	**5,550,540**	**7,179,704**	**985,510**	**1,940,336**	**33,493,626**
At 1 January 2020	**388,309**	**2,493,962**	**14,955,265**	**5,550,540**	**7,179,704**	**985,510**	**1,940,336**	**33,493,626**
Additions	-	-	315,848	-	723,905	107,038	5,830,907	**6,977,698**
Transfer	60,654	303,793	37,741	-	828,578	-	(1,230,766)	**-**
Disposal	-	-	-	-	(253,072)	-	-	**(253,072)**
Recognition of right of use asset on application of IFRS 16	-	-	-	-	-	-	-	**-**
At 31 December 2020	**448,963**	**2,797,755**	**15,308,854**	**5,550,540**	**8,479,115**	**1,092,548**	**6,540,477**	**40,218,252**
Accumulated depreciation								
At 1 January 2020	**-**	**524,768**	**5,174,427**	**1,362,604**	**5,313,490**	**793,873**	**-**	**13,169,162**
Charge for the year	-	49,642	632,943	205,937	928,234	63,658	-	**1,880,414**
Disposal	-	-	-	-	(223,242)	-	-	**(223,242)**
At 31 December 2020	**-**	**574,410**	**5,807,370**	**1,568,541**	**6,018,482**	**857,531**	**-**	**14,826,334**
Carrying value								
At 31 December 2020	**448,963**	**2,223,345**	**9,501,484**	**3,981,999**	**2,460,633**	**235,017**	**6,540,477**	**25,391,918**
Restated NBV at 31 December 2019	**388,309**	**1,969,194**	**9,780,838**	**4,187,936**	**1,866,214**	**191,637**	**1,940,336**	**20,324,464**
As previously reported as at 31 December 2019	**737,101**	**1,969,194**	**9,780,838**	**4,187,936**	**1,866,214**	**191,637**	**1,790,786**	**20,523,706**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land	Building	Plant & machinery	Cylinders	Motor vehicles	Office equipment	Work in progress	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost								
At 1 January 2019	737,101	2,485,737	22,356,793	5,242,885	6,786,742	945,639	217,167	38,772,064
Additions	-	8,225	206,560	4,863	416,647	39,871	2,603,724	3,279,890
Reclassification	-	-	(8,335,401)	-	-	-	-	(8,335,401)
Transfer	-	-	727,313	302,792	-	-	(1,030,105)	-
Disposal	-	-	-	-	(23,685)	-	-	(23,685)
At 31 December 2019	**737,101**	**2,493,962**	**14,955,265**	**5,550,540**	**7,179,704**	**985,510**	**1,790,786**	**33,692,868**
Accumulated depreciation								
At 1 January 2019	-	476,795	10,159,947	1,164,211	4,337,578	725,828	-	16,864,359
Charge for the year	-	47,973	691,321	198,393	999,597	68,045	-	2,005,329
Held for sale	-	-	(5,676,841)	-	-	-	-	(5,676,841)
Disposal	-	-	-	-	(23,685)	-	-	(23,685)
At 31 December 2019	**-**	**524,768**	**5,174,427**	**1,362,604**	**5,313,490**	**793,873**	**-**	**13,169,162**
Carrying value								
At 31 December 2019	**737,101**	**1,969,194**	**9,813,038**	**4,187,936**	**1,866,214**	**191,637**	**1,790,786**	**20,523,706**

The plant and machinery installed on industrial property Plot No.41, Nyakato Industrial Area, Mwanza City and Plot No. 4 Pugu Industrial Area, Dar es Salaam are held as security for the loans granted by Barclays Bank Tanzania Limited. The Bank also holds 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 Aspen 1000 plant with a carrying amount of TZS 2.6 billion has been reclassified as held for sale following the Company’s decision of replacing it with a new plant. Refer to Note 35 for restatement.

14. LEASES

i. Leases as lessee (IFRS 16)

Information about leases for which the Company is a lessee is presented below.

a) Lease liabilities

Lease liability classification	**2020 TZS '000**	**2019 TZS '000**
Current portion	189	6,016
Non-current portion	45,486	39,751
	45,675	**45,767**

b) Right-of-use assets

	2020 TZS '000	**Restated* 2019 TZS '000**
Cost		
Balance at 1 January	400,072	51,280
Initial direct cost	-	348,792
At 31 December	**400,072**	**400,072**
Depreciation		
At 1 January	(72,724)	-
Impact of initial applicable of IFRS 16	-	(71,320)
Charge for the year	(2,017)	(1,404)
At 31 December	**(74,741)**	**(72,724)**
Net carrying account	**325,331**	**327,348**

*See details of restatement under note 35

c) Amounts recognised in profit or loss

Leases under IFRS 16	**2020 TZS '000**	**2019 TZS '000**
Interest on lease liabilities	7,464	7,476
Depreciation of right of use assets	2,017	1,404

d) Amounts recognised in statement of cash flows

Within operating cash flows (interest on lease liabilities)	7,464	7,476
Within financing cash flows (payment of principal lease liabilities)	7,556	12,899

15. INTANGIBLE ASSETS

Cost	2020 TZS' 000	Restated 2019 TZS' 000
At 1 January	325,044	171,802
Additions	218,449	-
31 December	**543,493**	**171,802**
Correction of error (see note 35)	-	153,242
31 December – Restated	**543,493**	**325,044**
Accumulated amortization		
At 1 January	171,468	170,967
Charge for the year	1,150	501
31 December	**172,618**	171,468
Net carrying amount	**370,875**	**153,576**

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

16. INVENTORIES

	2020 TZS '000	Restated* 2019 TZS '000
Raw materials	1,312,095	1,898,945
Finished goods	576,861	866,412
Welding and medical machines equipment	2,691,635	2,530,906
Less: Inventory provision	(32,218)	-
	4,548,373	**5,296,263**

* Refer to note 35 for restatement.

The raw material inventory of TZS 1,763 Million (2019: TZS 808 Million) was recognised to cost of sales from the inventories.

Inventories are not pledged as security.

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

	2020 TZS '000	2019 TZS '000
At 1 January	-	-
Charge for the year	32,218	-
At 31 December	**32,218**	-

17. TRADE AND OTHER RECEIVABLES

	2020 TZS' 000	2019 TZS' 000
Trade receivables	4,790,331	4,010,826
Staff receivables	102,112	115,723
Prepayments	1,355,178	858,103
	6,247,621	**4,984,652**
Expected credit loss	(429,391)	(460,388)
	5,818,230	**4,524,264**

Trade receivables are non-interest bearing and are generally on 30-90 days terms. As at 31 December 2020 trade receivables amounting to TZS 429 million (2019: TZS 460 million) were impaired and fully provided for.

Movement on the provision for expected credit loss:

	2020 TZS' 000	2019 TZS' 000
At 1 January	460,388	538,292
Charge for the year	(30,997)	(77,904)
At 31 December	**429,391**	**460,388**

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

	2020 TZS' 000	2019 TZS' 000
Amount is in TZS	887,381	962,087
	887,381	**962,087**

18. CASH AND CASH EQUIVALENTS

Cash in hand	11,936	14,509
Cash at Bank	592,421	360,028
	604,357	**374,537**

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	604,357	374,537
Bank overdrafts (Note 24)	(3,014,454)	(3,176,570)
	(2,410,097)	**(2,802,033)**

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

(EURO):		
Amount is in TZS	441	388
(USD):		
Amount is in TZS	539,824	200,116

19. ASSETS HELD FOR SALE

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

In line with International Financial Reporting Standards (IFRSs), management has done impairment assessment to check whether or not the value of the asset as shown in the statement of financial position at reporting date exceeds its recoverable amount. The recoverable amount was determined as fair value less costs to sell based on the available information at reporting date and was estimated at. TZS 2.76 Billion.

The carrying amount of the asset as of 31 December 2020 is TZS 2.67 billion (2019: TZS 2.66 billion), which is approximate to the fair value of the asset less costs to sell. There has been different potential buyers and the Company is actively marketing the plant and is aggressively looking to sale the plant at the earliest. It is highly probable that sale of this property will be concluded by end of 31 December 2021.

As at 31 December 2020, the asset meets the conditions for being qualified as held for sale.

20. SHARE CAPITAL

	2020 TZS '000	2019 TZS '000
Authorized		
60 million Ordinary Shares of TZS 100 each	**6,000,000**	**6,000,000**
57,505,963 (2019: 57,505,963) Ordinary Shares issued and fully paid	**5,750,596**	**5,750,596**

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

21. LOANS AND BORROWINGS

(a) Loan Facility with ABSA Bank Limited

The Company has a term loan facility amounted to TZS 5.1 billion from Absa Bank Tanzania Limited The loan was secured on 9th August 2018 which is repaid in sixty (60) equal monthly instalments. Interest rate is 14% p.a, accrues daily and paid monthly in arrears.

	2020 TZS '000	2019 TZS '000
At 1 January	3,910,000	4,930,000
Repayment during the year	(1,020,000)	(1,020,000)
As at 31 December	**2,890,000**	**3,910,000**
Long term portion	-	2,890,000
Current portion	2,890,000	1,020,000
Total loan	**2,890,000**	**3,910,000**

21. LOANS AND BORROWINGS (CONTINUED)

(a) Loan Facility with ABSA Bank Limited (Continued)

The Securities for the loans include:

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

(b) Loan Facility with CRDB Bank Plc

On 26th September 2019 the Company obtained a term loan facility amounted to TZS 5.52 billion from CRDB Bank PLC for the purpose of acquiring new ASU plant and improving the distribution fleet for CO2. The loan will be repaid in sixty (60) equal monthly instalments. Interest rate is 14% p.a, accrues daily and paid monthly in arrears with a grace period of one year.

	2020	2019
	TZS '000	TZS '000
At 1 January	883,987	-
Loan received during the year	4,626,185	883,986
Interest expense	877,143	-
Interest paid	(884,607)	-
Principal repayment during the year	(148,499)	-
As at 31 December	**5,354,209**	**883,986**
Long term portion	3,806,949	857,464
Current portion	1,547,260	26,522
Total loan	**5,354,209**	**883,986**
Total long-term loan:		
ABSA Bank Limited	-	2,890,000
CRDB Bank PLC	3,806,949	857,465
	3,806,949	**3,747,465**
Total current portion loan:		
Absa Bank Limited	2,890,000	1,020,000
CRDB Bank PLC	1,547,260	26,522
	4,437,260	**1,046,522**

(c) Breach of loan covenant

ABSA Loan facility

On the facility with ABSA Bank Limited, the Company is required to maintain a net leverage ratio of 2.5x with net leverage ratio calculated as all interest-bearing debt less cash divided by EBITDA, need to be measured every six months.

21. LOANS AND BORROWINGS (CONTINUED)

(c) Breach of loan covenant (Continued)

ABSA Loan facility

Net leverage ratio for the Company as at 31 December 2020 was 1.16x which implies a breach of this covenant.

As at year end, the Company did not have a signed waiver for the breach made during the year. As a result, the entire amount relating to ABSA was reclassified to current in line with IFRSs.

22. TAXATION

a) Income tax expense

	2020 TZS '000	2019 TZS '000
Current income tax charge	959,101	522,088
Deferred tax charge	534,707	310,602
Income tax reported in the statement of profit or loss	**1,493,808**	**832,690**

A reconciliation between tax expense and accounting profit multiplied by Tanzania Corporate tax for the year ended 31 December 2020 and 2019 as follow:

	2020 TZS '000	2019 TZS '000
Accounting before income tax	3,837,939	3,086,661
At Tanzania's statutory income tax rate 30% (2019: 30%)	1,151,382	925,998
Tax effect of penalty/interest	78,678	(93,308)
Effect of prior year deferred tax under-provisions	267,970	-
Tax effect of disallowed expenses	9,978	
Tax effect of prior year accounting errors	(14,200)	-
	1,493,808	**832,690**

b) Tax payable

Balance at 1 January	521,700	314,456
Tax charge for the year	959,101	522,088
Repayment made	(613,238)	(314,844)
	867,563	**521,700**

Tax assessments have been made up to 2016. The Tax authority has up to five (5) years to make final assessment.

22. TAXATION (CONTINUED)

c) Deferred Tax

	2020 TZS '000	2019 TZS '000
Deferred tax relates to the following: -		
Accelerated depreciation for tax purposes	7,955,600	5,637,484
Unrealised exchanges gain	(430,171)	26,450
Movement in provision for expected credit losses	(2,017)	77,904
	7,523,412	**5,741,838**
Deferred tax liability thereon at 30%	2,257,024	1,722,551
Less: Opening deferred tax	1,722,551	1,411,949
Effect of prior year under provision	(234)	-
Deferred tax expense	**534,707**	**310,602**

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.

23. TRADE AND OTHER PAYABLES

	2020 TZS '000	2019 TZS '000
Trade payables	912,517	75,791
Other payables	91,466	84,554
Accrual expenses	183,856	235,799
VAT Payables	400,106	542,286
Statutory deduction (PAYE & NSSF)	281,982	171,521
	1,869,927	**1,109,951**

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:

	2020 TZS '000	2019 TZS '000
United States Dollars	100,407	68,464
Sterling Pound (GBP)	95,230	64,406
Total - Tanzania Shillings	**195,637**	**132,870**

24. BANK OVERDRAFT

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

	2020 TZS '000	2019 TZS '000
Outstanding balance as at 31 December	3,014,454	3,176,570

25. CYLINDER DEPOSIT

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

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

	2020 TZS '000	2019 TZS '000
Balance as at January	658,281	563,927
Deposits made during the year	132,319	221,748
Reallocation	(324,872)	-
Refunds made during the year	(6,676)	(127,394)
	459,052	**658,281**

26. EARNINGS PER SHARE

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

	2020 TZS '000	2019 TZS '000
Net profit attributable to shareholders	2,344,131	2,253,971
Basic earnings per share (TZS)	0.04076	0.03920
Basic and diluted earnings per share (TZS)	0.04076	0.03920

The earning per share above is based on weighted average number of ordinary shares amounting to 57,505,963 as at year end (2019: 57,505,963 shares).

27. EMPLOYEES PENSION

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

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

	2020 TZS '000	2019 TZS '000
Total contributions during the year	287,466	244,854

28. RELATED PARTY TRANSACTIONS

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

Transactions with key management personnel

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

Compensation to key management personnel:

	2020 TZS '000	2019 TZS '000
Short term benefits	1,304,737	1,012,585
Other long-term benefits	160,546	143,351
	1,465,283	**1,155,936**

Directors' remuneration

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

	TZS'000
The Chairman of the Board	9,412
Other directors	7,059

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

	TZS'000
The Chairman of the Board	800
Other directors	600

28. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2020 TZS'000	2019 TZS'000
Directors		
Mr. Michael Shirima	11,212	11,312
Mr. Godfrey Urasa	8,859	9,659
Mr. Simon Mponji	9,459	9,409
Mr. Justin Massawe	8,459	7,959
Mr. Selestine Some	8,459	7,309
Prof Abraham Temu	7,059	7,059
Eng. Joseph Machange	8,459	8,359
	61,966	**61,066**

Directors' interest in the shares of the Company

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

Name		**Shares** 2020	**Shares** 2019
1	Godfrey Urasa	2,618,030	2,618,030
2	Michael Shirima	1,680,405	1,680,405
3	Joseph C. N. Machange	1,029,584	1,029,584
4	Justine Massawe	400,100	400,100
5	Simon Mponji	44,851	44,851
6	Prof. Abraham K. Temu	10,075	10,075

Payables to related parties

	2020 TZS'000	2019 TZS'000
Gratuity payables to key management personnel	(63,726)	130,500
Payables to directors	(73,265)	(65,161)
	(136,991)	**65,339**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Market risk

Foreign currency risk

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

The Company manages its foreign exchange risk by forecasting the amount of foreign currencies they require and hold an equivalent amount in foreign currencies (US dollar and EURO). As at 31 December 2020, the balances denominated in foreign currencies were as Shown on the table below:

Balances denominated in foreign currencies	**2020**			**2019**		
	TZS '000 USD	**TZS '000 EUR**	**TZS '000 GBP**	**TZS '000 USD**	**TZS '000 EUR**	**TZS '000 GBP**
Cash and bank balances	539,824	441	-	200,116	388	-
Trade and other receivables	887,381	-	-	962,087	-	-
Loan / borrowings	-	-	-	-	-	-
Trade and other payables	(100,407)	-	(95,230)	(64,464)	-	(64,406)
Net exposure	**1,326,798**	**441**	**(95,230)**	**1,097,739**	**388**	**(64,406)**

Foreign currency sensitivity

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity (Continued)

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

	Effect on profit and loss **TZS '000**	Effect on equity (net of tax) **TZS '000**
2020		
USD (10% movement)	132,680	92,876
EUR (10% movement)	44	31
GBP (10% movement)	(9,523)	(6,666)
2019		
USD (10% movement)	109,774	76,842
EUR (10% movement)	39	27
GBP (10% movement)	(6,402)	(4,481)

Interest rate risk

In broad terms the interest rate risk is the risk that concerns the sensitivity of the Company's financial performance to changes in the interest rates. The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the Company' s business strategies in order to minimise interest risk. The Company had limited exposure to interest rate risks as at 31 December 2020 since the interest on outstanding loans is fixed (2019: fixed rates).

Liquidity risk

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

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

	Carrying amount	Un-discounted contractual cash flows	Less than 1 year	1- 5 years
	TZS '000	TZS '000	TZS '000	TZS '000
31 December 2020				
Lease liabilities	45,675	310,231	7,556	302,675
Trade and other payables	1,187,839	1,187,839	-	-
Bank overdrafts	3,014,454	3,014,454	3,014,454	-
Borrowings	8,244,209	8,244,209	4,437,260	3,806,949
	12,492,177	**12,756,733**	**7,459,270**	**4,109,624**
31 December 2019				
Lease liabilities	45,767	315,545	7,456	308,089
Trade and other payables	396,144	396,144	-	-
Bank overdrafts	3,176,570	3,176,570	3,176,570	-
Borrowings	4,793,987	4,793,987	1,046,522	3,747,465
	8,412,468	**8,682,246**	**4,230,548**	**4,055,554**

Credit risk

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

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

	2020	2019
	TZS '000	TZS '000
Trade and other receivables (Note 17)	4,790,331	4,010,826
Staff advances (Note 17)	102,112	115,723
Cash and cash equivalents (Note 18)	604,357	374,537
At 31 December	**5,496,800**	**4,501,086**

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

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 30 days for credit customers. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

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

	2020 TZS '000	**2019 TZS '000**
Opening balance	460,388	538,292
Net re-measurement of loss allowance	(30,997)	(77,904)
Closing balance	**429,391**	**460,388**

As at 31 December 2020, trade receivables of TZS 355 Million (2019: TZS 355 Million) were individually (specifically) impaired and provided for. The individually impaired receivables mainly relate to customers with disputes since 2011.

In the year 2020 the Company has assessed risk clusters based on type of customer and their associated probability of default as detailed below; Assessment in 2019 was based on aging bracket.

Risk cluster	**Gross TZS '000**	**Impairment TZS '000**	**Net TZS '000**
CO_2 Customers	2,754,610	(27,920)	2,726,690
Government Hospitals	849,365	(8,494)	840,871
Other Customers (Oxygen/DA/Special gases and WPs)	831,151	(37,772)	793,379
Specific impairment on trade receivables (see note above)	355,205	(355,205)	-
Total	**4,790,331**	**(429,391)**	**4,360,940**

Strategic, Commercial, operational and financial risks

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

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

For the bank overdraft, the rate imposed on the term will depend on the daily outstanding balance. The balance at the end of year 2019 equals the fair value in respect of the prevailing rate on the outstanding balance.

The interest rate per annum on the interest-bearing loan is fixed at 14% for the entire loan period. Changes in inflation rate are minimal in Tanzania. In the current year the inflation averaged 4.9% (2019: 4.9%) Therefore the carrying amount is the best estimation of the fair value.

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

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

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

The Company is not subject to any externally imposed capital requirements. The Company manages its capital structure and adjusts it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company aims to maintain capital discipline in relation to investing activities and may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies, or processes during the years ended 31 December 2020 and 31 December 2019.

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

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

At 31 December 2020, the net debt ratio was 36% (2019: 31%).

	2020	2019
Gross debt	**TZS'000**	**TZS'000**
Interest bearing loans and borrowings	8,244,209	4,793,987
Bank overdrafts	3,014,454	3,176,570
Trade and other payables	1,869,927	1,109,951
Cylinder deposits	459,052	658,281
Cash and bank balances	(604,357)	(374,537)
Net debt	**12,983,285**	**9,364,252**
Equity	22,975,455	21,630,203
Total debt and capital	**35,958,740**	**30,994,455**
Debt ratio	**36%**	**30%**

32. CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2020, which may possibly result in a loss or gain to the Company or in commitments which it cannot meet, and for which no provision is considered necessary or only partial provision has been made.

33. EVENTS AFTER REPORTING PERIOD

With the outbreak of third wave, the COVID-19 pandemic continued to affect the country and businesses. At the time of issuing these financial statements, the directors have assessed it is impracticable to quantitatively determine and disclose the extent of the possible effects of the third wave of pandemic on the Company's operations.

Considering the Company provides essential products such as Oxygen to hospitals, the directors expect Company's operations to continue despite the disruption caused by the pandemic. Demand for medical oxygen could increase as more hospitals will require oxygen. No significant impairment of current and non-current assets is expected. Also, credit risk is not expected to increase significantly as debtors will continue paying the amounts due as they will require products despite the disruptions. The Company might incur additional expenses arising from changes in work modalities including remote working and essential employees' isolations, but it is expected that any incremental expenses will be financed from cash flows from operations and the available working capital facilities. Otherwise, no additional significant liabilities are expected to result from the pandemic. The directors are not aware of other events after the reporting period which require adjustment to or disclosure in the financial statements.

34. SEGMENT REPORTING

The Company does not have reportable segments. All Company's business activities and operations have not been disaggregated into different segments as such all operating activities, financial results, forecasts, or plans are not tracked or assessed as different components since the Company operates from one strategic location. Based on this, there is no separate segmental reporting.

35. CORRECTION OF ERRORS

During 2020, the Company discovered the following errors that were made in its prior year financial statements;

- Cylinders worth TZS 302.79 million had been erroneously recognised as Inventory instead of Property, Plant and Equipment (PPE). As a consequence, Inventory have been overstated.
- Also, the Company erroneously included Software (work in progress) amounting to TZS 153.24 million as PPE instead of Intangible assets leading to overstatement of PPE balance.
- Furthermore, the Company erroneously included TZS 32.2 million relating to asset held for sale as part of PPE on face of statement of financial position.
- Lastly, the Company did not account land as required by IFRS 16 resulting to understatement of depreciation charge of TZS 71.32 million.

All errors have been corrected by restating each of the affected financial statement line items for period ended 31 December 2019. There was no impact on the financial statements for the year ended 31 December 2018. The following tables summarise the impacts on the Company's financial statements;

	As previously reported TZS'000	Adjustment TZS'000	Reclassification TZS'000	As restated TZS'000
Statement of financial position				
Property, Plant and Equipment				
- Cost	33,692,868	(46,000)	(153,242)	33,493,626
- Accumulated depreciation	13,169,162	-	-	13,169,162
	20,523,706	**(46,000)**	**(153,242)**	**20,324,464**
Intangible asset				
- Cost	171,802	-	153,242	325,044
- Accumulated Depreciation	(171,468)	-	-	(171,468)
- **Net Book Value**	**334**	**-**	**153,242**	**153,576**
Right of use assets - Cost	51,280	348,792	-	400,072
Right of use assets depreciation	(1,404)	(71,320)	-	(72,724)
Inventory	5,599,055	(302,792)	-	5,296,263
Assets held for sale	2,626,360	-	32,198	2,658,558
Other assets	4,930,999	-	(32,198)	4,898,801
Total assets	**33,730,330**	**(71,320)**	**-**	**33,659,010**
Total Liabilities	**(12,028,807)**	**-**	**-**	**(12,028,807)**
Retained earnings	(9,188,878)	71,320	-	(9,117,558)
Share capital	(5,756,030)	-	-	(5,756,030)
Share premium	(6,756,615)	-	-	(6,756,615)
Total Equity	**(21,701,523)**	**71,320**	**-**	**(21,630,203)**
Statement of cash flows				
Net cash flows generated from operating activities	5,690,602	302,792	-	5,993,394
Net cash flows used in investing activities	(3,279,715)	(302,792)	-	(3,582,507)

There is no material impact on the Company earning per share and on the total financing cash flows for the year ended 31 December 2019.