Gapco Tanzania Limited

Independent Auditors’ Report

TO THE MEMBERS OF GAPCO TANZANIA LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Gapco Tanzania Limited (“the company”) and its subsidiary (together “the group”), set out on pages 9 to 44 which comprise the consolidated and company statements of financial position as at 31 December 2015, and the consolidated and company statement of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors’ Responsibility for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002 and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the Group and of the company as at 31 December 2015 and of the Group’s financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002.

Report on other legal and regulatory requirements

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

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

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;

(iii) The Consolidated and Company’s statement of financial position, statement of profit or loss and other comprehensive income are in agreement with the books of account;

Deloitte & Touche
Certified Public Accountants (Tanzania)

Signed by: David C. Nchimbi 30 March, 2016
Dar es Salaam

Consolidated and Company Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2015

		Group		Company	
	Notes	2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
Revenue	**4**	315,491	358,070	315,491	358,070
Cost of sales		(295,929)	(335,590)	(295,929)	(335,590)
Gross profit		19,562	22,480	19,562	22,480
Other income	**5**	12,780	9,653	12,754	9,632
Selling and distribution expenses		(398)	(318)	(398)	(318)
Administrative expenses		(10,708)	(9,617)	(10,690)	(9,604)
Other operating expenses		(12,474)	(11,638)	(12,386)	(11,625)
Operating profit	**6**	8,762	10,560	8,842	10,565
Finance costs	**8 (a)**	(1,025)	(1,009)	(1,025)	(1,009)
Finance income	**8 (b)**	11,877	3,880	11,877	3,880
Profit before tax		19,614	13,431	19,694	13,436
Taxation credit/(charge)	**9 (a)**	1,851	(3,817)	1,851	(3,817)
Profit for the year		21,465	9,614	21,545	9,619
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss:					
Revaluation of property, plant and equipment	**10**	4,508	-	-	-
Tax effect on revaluation of property, plant and equipment	**18**	(1,352)	-	-	-
		3,156	-	-	-
Total comprehensive income for the year, net of taxes		24,621	9,614	21,545	9,619

Consolidated and Company Statement of Financial Position as at 31 December 2015

		Group		Company	
		2015	**2014**	**2015**	**2014**
	Notes	**TZS Million**	**TZS Million**	**TZS Million**	**TZS Million**
ASSETS					
Non-current assets					
Property, plant and equipment	10	150,901	147,839	144,421	145,795
Investment in subsidiary	11	-	-	165	165
		150,901	147,839	144,586	145,960
Current assets					
Inventories	12	21,137	41,106	21,137	41,106
Trade and other receivables	13	102,406	78,313	104,147	80,076
Cash and cash equivalents	14	24,101	4,575	24,101	4,575
		147,644	123,994	149,385	125,757
TOTAL ASSETS		**298,545**	**271,833**	**293,971**	**271,717**
EQUITY AND LIABILITIES					
Equity					
Share capital	15	29,910	29,910	29,910	29,910
Revaluation reserve	16	70,242	68,964	67,136	68,964
Retained earnings		97,768	74,425	97,883	74,510
		197,920	173,299	194,929	173,384
Non-current liabilities					
Retirement benefit obligations	17	1,077	930	1,077	930
Long term borrowings	20 (a)	35,364	-	35,364	-
Deferred tax	18	28,543	32,042	27,191	32,042
		64,984	32,972	63,632	32,972
Current liabilities					
Trade and other payables	19	35,517	50,519	35,285	50,321
Short term borrowings	20 (b)	-	14,792	-	14,792
Tax payable	9 (c)	124	251	125	248
		35,641	65,562	35,410	65,361
TOTAL EQUITY AND LIABILITIES		**298,545**	**271,833**	**293,971**	**271,717**

The financial statements are on pages 9 to 44 were approved and authorised for issue by the Board of Directors 30 March, 2016 and were signed on its behalf by:

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Subhasish Mukherjee
Director

Vijay Govindan Kutty Nair
Director

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	Notes	Share capital TZS Million	Revaluation reserve TZS Million	Retained earnings TZS Million	Total TZS Million
31 December 2014					
At start of year		29,910	70,806	62,969	163,685
Total comprehensive income		-	-	9,614	9,614
Transfer of excess depreciation on property, plant and equipment	16	-	(2,605)	2,605	-
Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment	16	-	(19)	19	-
Deferred tax on transfer of excess depreciation	16	-	782	(782)	-
At end of year		29,910	68,964	74,425	173,299
31 December 2015					
At start of year		29,910	68,964	74,425	173,299
Profit for the year		-	-	21,465	21,465
Other comprehensive income		-	3,156	-	3,156
Total comprehensive income		-	3,156	21,465	24,621
Transfer of excess depreciation on property, plant and equipment	16	-	(2,669)	2,669	-
Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment	16	-	(11)	11	-
Deferred tax on transfer of excess depreciation	16	-	802	(802)	-
At end of year		29,910	70,242	97,768	197,920

Company Statement of Changes in Equity for the year ended 31 December 2015

	Notes	Share capital TZS Million	Revaluation reserve TZS Million	Retained earnings TZS Million	Total TZS Million
31 December 2014					
At start of year		29,910	70,806	63,049	163,765
Total comprehensive income		-	-	9,619	9,619
Transfer of excess depreciation on property, plant and equipment	16	-	(2,605)	2,605	-
Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment	16	-	(19)	19	-
Deferred tax on transfer of excess depreciation	16	-	782	(782)	-
At end of year		29,910	68,964	74,510	173,384
31 December 2015					
At start of year		29,910	68,964	74,510	173,384
Total comprehensive income		-	-	21,545	21,545
Transfer of excess depreciation property, plant and equipment	16	-	(2,597)	2,597	-
Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment	16	-	(11)	11	-
Deferred tax on transfer of excess depreciation	16	-	780	(780)	-
At end of year		29,910	67,136	97,883	194,929

Consolidated and Company Statement of Cash Flows for the year ended 31 December 2015

		Group		Company	
	Notes	2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
Operating activities					
Cash generated/ (used in) from operations	21	6,130	(9,297)	6,126	(9,297)
Tax paid	9 (c)	(3,127)	(6,511)	(3,123)	(6,511)
Net cash generated/ (used in) operating activities		3,003	(15,808)	3,003	(15,808)
Investing activities					
Purchase of property, plant and equipment	10	(6,540)	(4,437)	(6,540)	(4,437)
Proceeds from disposal of property, plant and equipment		258	48	258	48
Interest received		2,479	2,049	2,479	2,049
Net cash used in investing activities		(3,803)	(2,340)	(3,803)	(2,340)
Financing activities					
Long term borrowings		35,364	-	35,364	-
Interest paid		(1,025)	(1,009)	(1,025)	(1,009)
Net cash generated/ (used in) financing activities		34,339	(1,009)	34,339	(1,009)
Increase/(decrease) in cash and cash equivalents		33,539	(19,157)	33,539	(19,157)
Movement in cash and cash equivalents					
At start of year		(10,217)	8,685	(10,217)	8,685
Increase/(decrease) in cash and cash equivalents		33,539	(19,157)	33,539	(19,157)
Effect of exchange rate changes		779	255	779	255
At end of year	14	24,101	(10,217)	24,101	(10,217)

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

1. GENERAL INFORMATION

The consolidated financial statements of the Company and its subsidiary (collectively, the Group) for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors as indicated on the consolidated and Company statement of financial position. Registered place of business is indicated on page 1. The principal activities of the Company and its subsidiary is that of marketing of petroleum products.

2. ACCOUNTING POLICIES

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

(i) a) New standards and amendments to published standards effective for the year ended 31 December 2015

The following amendments to IFRSs have been applied in the current year and have had no material impact on the amounts and/or disclosures reported in these financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities in the current year. Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

•provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 *"Financial Instruments"* or IAS 39 "*Financial Instruments: Recognition and Measurement*".

- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries.
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

The application of these amendments did not have any impact on the Group financial statements as the Group does not have an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The application of these amendments to IAS 32 did not have impact on the Group financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

Amendments IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

(i) Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (continued)

The application of these amendments to IAS 19 did not have impact on the Group financial statements as the Group did not have defined benefit plans.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

Annual Improvements to IFRSs 2010-2012 Cycle

The annual improvements 2010-2012 cycle make amendments to the following standards:

- IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition';
- IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date;
- IFRS 8 - Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly;
- IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);
- IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount;
- IAS 24 - Clarify how payments to entities providing management services are to be disclosed.

The application of these improvements to IFRSs did not have a significant impact on the Group financial statements.

The improvements make amendments to the following standards:

- IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only);
- IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- IFRS 13 - Clarify the scope of the portfolio exception in paragraph 52;
- IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The application of these improvements to IFRSs did not have impact on the Group financial statements.

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015

The entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

	Effective for annual periods beginning on or after
IFRS 9, Financial Instruments	1 January 2018
IFRS 14, Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 16 Leases	1 January 2019
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

IFRS 9 Financial Instruments 2014

IFRS 9 Financial Instruments (2014) is the finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018.

The Group has started the process of evaluating the potential effect of this standard but given the nature of the Group operations, this standard may have a pervasive impact on the Group financial statements when effective.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 is applicable to entities whose first annual IFRS financial statements are for a period beginning on or after 1 January 2016.

The standard does not have impact to the financial statements of the Group and the Group is not the first time IFRS adopter.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

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

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 is effective for accounting periods beginning on or after 1 January 2017 and is not expected to have significant impact on the financial statements.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 15 is effective for accounting periods beginning on or after 1 January 2019 and is not expected to have significant impact on the financial statements.

Amendments to IAS 7 Disclosure Initiative

Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments are effective for accounting periods beginning on or after 1 January 2017 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

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

Amends IAS 12 Income Taxes to clarify the following aspects:

Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits.

Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for accounting periods beginning on or after 1 January 2017 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

Amendments to IFRS 11Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Group do not anticipate that the application of these amendments to IFRS 11 will have a significant impact on the Group financial statements as the Group does not have interests in joint ventures.

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

These amend IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Group do not anticipate that the application of these amendments to IASs 16 and 38 will have a significant impact on the Group financial statements as the Group selection of depreciation method is not based on its revenues.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

These amend IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:

- include ‘bearer plants’ within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16
- introduce a definition of ‘bearer plants’ as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Group do not anticipate that the application of these amendments to IASs 16 and 41 will have a significant impact on the Group financial statements as the Group does not deal in agriculture.

Amendments to IAS 27 Equity Method in Separate Financial Statements

Amendments to IAS 27Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Group do not anticipate that the application of these amendments to IAS 27 will have a significant impact on the Group financial statements as the Group does not have investment in subsidiaries, joint ventures and associates.

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

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor’s financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors’ interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Group do not anticipate that the application of these amendments to IAS 27 will have a significant impact on the Group financial statements as the Group does not have investment in joint ventures and associates.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

2.3 Significant accounting policies

(a) Basis of Preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements are prepared on the historical cost basis in accordance with International Financial Reporting Standards (IFRS), as modified by the revaluation of certain items of property, plant and equipment in the statement of financial position. The consolidated financial statements are presented in Tanzanian Shillings and all values are rounded to the nearest million (TZS Million), except when otherwise indicated.

(b) Basis of Consolidation

The consolidated financial statements incorporate the financial statements the Company and its subsidiary. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

c) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. Revenue is stated net of Value Added Tax (VAT), rebates and discounts.

The specific recognition criteria described below must also be met before revenue is recognised.

– *Sale of goods:*

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

– *Rental income:*

ii) Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

– *Interest income:*

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

d) Foreign currencies

– *Functional and presentation currency:*

Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Tanzania Shillings.

– *Transactions and balances:*

Transactions in foreign currencies during the year are converted into Tanzania Shillings (the functional currency) at rates ruling at the transaction dates. Assets and liabilities at the reporting date which are expressed in foreign currencies are translated into Tanzania Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

e) Property, plant and equipment

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

Buildings and plant and machinery are subsequently measured at market value, based on periodic, but at least quinquennial valuations by external independent valuers, less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Leasehold land is depreciated over the remaining period of the lease.

Capital work in progress is not depreciated.

Depreciation on all other assets is calculated on the straight line basis to write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life using the following annual rates:

	No. of years
Buildings	25 to 50 years
Plant and machinery	10 to 20 years
Motor vehicles	5 to 8 years
Furniture, fittings and computers	3 to 10 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

e) Property, plant and equipment (continued)

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings in the statement of changes in equity.

f) Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Management determines all classification of financial assets at initial recognition.

– Financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The group's financial assets which include cash and bank balances and trade and other receivables fall into the following categories:

– **Loans and receivables:** financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the reporting date. All assets with maturities greater than 12 months after the reporting date are classified as non-current assets. Such assets are carried at amortised cost using the effective interest rate method. Changes in the carrying amounts are recognised in the profit or loss.

Purchases and sales of financial assets are recognised on the trade date, i.e. the date on which the group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in profit or loss under administrative expenses when there is objective evidence that the group will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

The amount of the impairment loss is calculated at the difference between the assets carrying amount and the present values of expected future cash flows, discounted at the financial instrument's effective interest rate.

– **Financial liabilities**

The group's financial liabilities which include borrowings, trade and other payables and current tax fall into the following category:

– **Financial liabilities measured at amortised cost**: These are initially measured at fair value and subsequently measured at amortised cost, using the effective interest rate method.

f) Financial instruments (continued)

– **Financial liabilities (continued)**

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in profit or loss under finance costs.

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortised over the period of the facility.

All financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the date of this report.

Financial liabilities are derecognised when, and only when, the group's obligations are discharged, cancelled or expired.

– ***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a basis, or realise the asset and settle the liability simultaneously.

g) Leases

– *Group as a lessor*

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

– *Group as a lessee*

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. 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.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on direct purchase value and all costs attributable to bring the inventory to its current location and condition and is stated on a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

j) Cash and cash equivalents

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

For the purpose of the consolidated and Company statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

k) Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in equity, in which case, the tax is also recognised in equity.

Current tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilised.

l) Retirement benefit obligations

Employee entitlements to gratuity and long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the date of this report.

The group and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The group’s contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

m) Share capital

Ordinary shares are classified as equity.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated and Company financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures,

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

a) Key sources of estimation uncertainty

Management has made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities.

– **Useful lives of property, plant and equipment**

Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

b) Significant judgements made by management in applying the group's accounting policies

Management has made the following judgements that are considered to have the most significant effect on the amounts recognised in the consolidated financial statements:

– **Impairment of trade receivables**

The group reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

– **Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

– **Provision for pending litigations**

Management regularly reviews the status of the legal cases and, in consultation with legal counsel, estimates the probable liabilities that could be incurred in the event that the cases are lost. In determining whether to process the provisions in the consolidated financial statements, management critically evaluates the probability of losing these cases and only makes provision for the cases in which it is probable that the future outflow of resources will be required to settle obligations.

c) Taxes

The company is subjected to numerous taxes and levies by various government and quasi-government regulations bodies. As a rule of thumb, the company recognises liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgement is usually required in the interpretation and applicability of those taxes levies. Should it come to the attention of managements in one way or other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

		Group		Company	
		2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
4.	**REVENUE**				
	Sale of petroleum products	315,491	358,070	315,491	358,070
5.	**OTHER INCOME**				
	Throughput fees	11,986	9,323	11,986	9,323
	Miscellaneous income	618	250	618	250
	Rental income	91	80	65	59
	Gain on disposal of property, plant and equipment	85	-	85	-
		12,780	9,653	12,754	9,632
6.	**OPERATING PROFIT**				
	The following items have been charged in arriving at the operating profit:				
	Depreciation on property, plant and equipment [Note 10]	7,664	7,503	7,592	7,503
	Staff costs [Note 7]	6,107	5,176	6,107	5,176
	Auditors' remuneration	103	77	90	67
	Operating lease rentals	605	724	589	711
	Loss on disposal of property, plant and equipment	149	36	149	36
	Bad debts	45	416	45	416
	Repairs and maintenance	1,441	1,107	1,441	1,107
7.	**STAFF COSTS**				
	Salaries and wages	4,494	3,739	4,494	3,739
	Provision for retirement benefit obligations [Note 17]	325	258	325	258
	Other staff costs	985	935	985	935
	Social security contribution:				
	– National Social Security Fund	303	244	303	244
		6,107	5,176	6,107	5,176

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

			Group		Company	
			2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
8	**(a)**	**FINANCE COST**				
		Interest expense				
		– bank borrowings	114	96	114	96
		– Other interest	911	913	911	913
			1,025	1,009	1,025	1,009
8	**(b)**	**FINANCE INCOME**				
		Interest income	2,479	2,049	2,479	2,049
		Foreign exchange gain (net)	9,398	1,831	9,398	1,831
			11,877	3,880	11,877	3,880
9.	**TAXATION**					
	(a)	**Taxation charge**				
		Current tax based on taxable income	2,408	3,948	2,408	3,948
		Under provision in prior periods	592	2,621	592	2,621
			3,000	6,569	3,000	6,569
		Deferred tax charge [Note 18]	(4,851)	(2,752)	(4,851)	(2,752)
			(1,851)	3,817	(1,851)	3,817
	(b)	**Reconciliation of expected tax based on accounting profit to tax charge**				
		Profit before tax	19,614	13,431	19,694	13,436
		Tax calculated at the rate of 30%	5,884	4,029	5,908	4,031
		Tax effect of:				
		– expenses not deductible for tax purposes	(8,327)	(2,833)	(8,351)	(2,835)
		– Adjustment for under provision in prior periods	592	2,621	592	2,621
			(1,851)	3,817	(1,851)	3,817
	(c)	**Tax payable**				
		At start of year	251	193	248	190
		Charged to profit or loss	3,000	6,569	3,000	6,569
		Tax paid during the year	(3,127)	(6,511)	(3,123)	(6,511)
		At end of year	124	251	125	248

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

10. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2015

	Leasehold land TZS Million	Buildings TZS Million	Plant and machinery TZS Million	Motor vehicles TZS Million	Furniture, Fittings and computers TZS Million	Capital work-in - progress TZS Million	Total TZS Million
GROUP							
Cost or valuation							
At start of year	2,263	83,950	64,475	342	858	4,336	156,224
Transfer from capital work-in-progress	-	4,392	4,245	-	101	(8,738)	-
Additions	-	-	-	-	-	6,540	6,540
Revaluation	-	773	3,735	-	-	-	4,508
Disposals	-	(270)	(78)	-	-	-	(348)
At end of year	2,263	88,845	72,377	342	959	2,138	166,924
Comprising							
Cost	2,263	42,687	55,073	342	959	2,138	103,462
Revaluation	-	46,158	17,304	-	-	-	63,462
	2,263	88,845	72,377	342	959	2,138	166,924
Depreciation							
At start of year	628	3,220	3,713	228	596	-	8,385
Charge for the year	56	3,330	4,157	68	53	-	7,664
Disposal	-	(16)	(10)	-	-	-	(26)
At end of year	684	6,534	7,860	296	649	-	16,023
Net carrying amount	1,579	82,311	64,517	46	310	2,138	150,901

Capital-work-in progress mainly relates to installations of LPG tanks, revamping of terminals and petrol stations.

Buildings and plant and machinery of subsidiary were revalued in November 2015 by M & R Agency Ltd. Valuations were made on the basis of open market value for the existing use. The book values of the properties were adjusted and the resultant surplus was credited to the revaluation reserve in the shareholder’s equity and losses recognised in profit or loss.

Buildings and plant and machinery were revalued in December 2013 by M & R Agency Ltd. Valuations were made on the basis of open market value for the existing use. The book values of the properties were adjusted and the resultant surplus was credited to the revaluation reserve in the shareholder’s equity and losses recognised in profit or loss.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2014

	Leasehold land TZS Million	Buildings TZS Million	Plant and machinery TZS Million	Motor vehicles TZS Million	Furniture, Fittings and computers TZS Million	Capital work-in - progress TZS Million	Total TZS Million
GROUP							
Cost or valuation							
At start of year	3,337	82,476	59,239	342	754	6,896	153,044
Transfer from capital work-in-progress	-	1,474	5,233	-	78	(6,785)	-
Additions	90	-	96	-	26	4,225	4,437
Disposals	(1,164)	-	(93)	-	-	-	(1,257)
At end of year	2,263	83,950	64,475	342	858	4,336	156,224
Comprising							
Cost	2,263	38,112	50,893	342	858	4,336	96,804
Revaluation	-	45,838	13,582	-	-	-	59,420
	2,263	83,950	64,475	342	858	4,336	156,224
Depreciation							
At start of year	1,375	-	-	160	520	-	2,055
Charge for the year	417	3,220	3,722	68	76	-	7,503
Disposal	(1,164)	-	(9)	-	-	-	(1,173)
At end of year	628	3,220	3,713	228	596	-	8,385
Net carrying amount	1,635	80,730	60,762	114	262	4,336	147,839

Capital-work-in progress mainly relates to installations of LPG tanks, revamping of terminals and petrol stations.

Disposals under leasehold land represents expired leases which were not renewed.

Buildings and plant and machinery were revalued in December 2013 by M & R Agency Ltd. Valuations were made on the basis of open market value for the existing use. The book values of the properties were adjusted and the resultant surplus was credited to the revaluation reserve in the shareholder's equity and losses recognized in profit or loss.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2015

	Leasehold land TZS Million	Buildings TZS Million	Plant and machinery TZS Million	Motor vehicles TZS Million	Furniture, Fittings and computers TZS Million	Capital work-in - progress TZS Million	Total TZS Million
COMPANY							
Cost or valuation							
At start of year	1,953	82,216	64,475	342	858	4,336	154,180
Transfer from capital work-in-progress	-	4,392	4,245	-	101	(8,738)	-
Additions	-	-	-	-	-	6,540	6,540
Disposals	-	(270)	(78)	-	-	-	(348)
At end of year	1,953	86,338	68,642	342	959	2,138	160,372
Comprising							
Cost	1,953	40,954	55,073	342	959	2,138	101,419
Revaluation	-	45,384	13,569	-	-	-	58,953
	1,953	86,338	68,642	342	959	2,138	160,372
Depreciation							
At start of year	628	3,220	3,713	228	596	-	8,385
Charge for the year	56	3,320	4,095	68	53	-	7,592
Revaluation adjustments							
Disposal	-	(16)	(10)	-	-	-	(26)
At end of year	684	6,524	7,798	296	649	-	15,951
Net carrying amount	1,269	79,814	60,844	46	310	2,138	144,421

Capital-work-in progress mainly relates to installations of LPG tanks, revamping of terminals and petrol stations.

Buildings and plant and machinery were revalued in December 2013 by M & R Agency Ltd. Valuations were made on the basis of open market value for the existing use. The book values of the properties were adjusted and the resultant surplus was credited to the revaluation reserve in the shareholder's equity and losses recognised in profit or loss.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Year ended 31 December 2014

	Leasehold land TZS Million	Buildings TZS Million	Plant and machinery TZS Million	Motor vehicles TZS Million	Furniture, Fittings and computers TZS Million	Capital work-in - progress TZS Million	Total TZS Million
COMPANY							
Cost or valuation							
At start of year	3,027	80,742	59,239	342	754	6,896	151,000
Transfer from capital work-in-progress	-	1,474	5,233	-	78	(6,785)	-
Additions	90	-	96	-	26	4,225	4,437
Disposals	(1,164)	-	(93)	-	-	-	(1,257)
At end of year	1,953	82,216	64,475	342	858	4,336	154,180
Comprising							
Cost	1,953	36,378	50,893	342	858	4,336	94,760
Revaluation	-	45,838	13,582	-	-	-	59,420
	1,953	82,216	64,475	342	858	4,336	154,180
Depreciation							
At start of year	1,375	-	-	160	520	-	2,055
Charge for the year	417	3,220	3,722	68	76	-	7,503
Disposal	(1,164)	-	(9)	-	-	-	(1,173)
At end of year	628	3,220	3,713	228	596	-	8,385
Net carrying amount	1,325	78,996	60,762	114	262	4,336	145,795

Capital-work-in progress mainly relates to installations of LPG tanks, revamping of terminals and petrol stations.

Disposals under leasehold land represents expired leases which were not renewed.

Buildings and plant and machinery were revalued in December 2013 by M & R Agency Ltd. Valuations were made on the basis of open market value for the existing use. The book values of the properties were adjusted and the resultant surplus was credited to the revaluation reserve in the shareholder's equity and losses recognised in profit or loss.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

If the buildings and plant and machinery were stated on the historical cost basis, the amount would be as follows:

Group

Year 2015	Buildings TZS Million	Plant and machinery TZS Million	Total TZS Million
Cost	42,687	55,073	97,760
Accumulated depreciation	(23,366)	(34,356)	(57,722)
Net carrying amount	19,321	20,717	40,038
Year 2014			
Cost	38,112	50,893	89,005
Accumulated depreciation	(20,052)	(30,209)	(50,261)
Net carrying amount	18,060	20,684	38,744

11. INVESTMENT IN SUBSIDIARY

			Company	
Shares at cost	**Country of incorporation**	**Holding**	**2015 TZS Million**	**2014 TZS Million**
Gapoil (Zanzibar) Limited	Zanzibar	100%	165	165

The directors have carried out an impairment assessment and are of the opinion that the carring amount have not suffered impairment in value.

12. INVENTORIES

	Group and Company	
	2015 TZS Million	**2014 TZS Million**
Fuel and lubricant stocks	20,785	40,268
Material and supplies	352	838
	21,137	41,106

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 TZS Million	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
Trade receivables	8,846	4,607	8,846	4,607
Less: provision for impairment	(431)	(386)	(431)	(386)
Net trade receivables	8,415	4,221	8,415	4,221
Prepayment and deferred charges	1,112	858	927	699
Receivable from related parties [Note 22 (viii)]	110	75	2,036	1,997
Loan receivable from related parties [Note 22 (ix)]	92,769	73,159	92,769	73,159
	102,406	78,313	104,147	80,076

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

The carrying amounts of the current portion of trade and other receivables approximate to their fair value.

Trade receivables comprise a large and widespread customer base and the group performs credit evaluations on the financial condition of its customers. The group holds collateral of TZS. 700 million (2014: TZS. 700 million) as security against the trade receivable balances.

The carrying amounts of the trade and other receivables are denominated in the following currencies:

	Group		Company	
	2015 TZS Million	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
Tanzania Shillings	2,603	1,936	4,344	3,699
US Dollars	99,803	76,377	99,803	76,377
	102,406	78,313	104,147	80,076

Trade receivables that are aged past 30 days are considered past due.

As of 31 December 2015, trade receivables amounting to TZS. 1,846 million (2014: TZS. 940 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

Individually impaired receivables mainly relate to customers, who are in unexpectedly difficult economic situations. As of 31 December 2015, trade receivables amounting to TZS. 431 million (2014: TZS. 386 million) were past due and impaired

The movement of the provision for impairment during the year was as follows.

	2015 TZS Million	**2014 TZS Million**
Opening balance	386	25
Additions	45	386
Recoveries	-	(9)
Write off	-	(16)
Closing balance	431	386

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

	Group and Company	
14. CASH AND CASH EQUIVALENTS	**2015 TZS Million**	**2014 TZS Million**
Cash at bank and in hand	24,101	4,575
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following:		
Cash and bank balances	24,101	4,575
Bank overdraft [Note 20 (b)]	-	(14,792)
	24,101	(10,217)
The carrying amounts of the group's cash at bank and in hand are denominated in the following currencies:		
Tanzania Shillings	10,287	4,567
US Dollars	13,814	8
	24,101	4,575

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

		Group		Company	
		2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
15.	**SHARE CAPITAL**				
	Authorised:				
	3,285,000,000 (2014: 3,285,000,000) ordinary shares of TZS. 20 each	65,700	65,700	65,700	65,700
	Issued and fully paid:				
	1,495,521,900 (2014: 1,495,521,900) ordinary shares of TZS. 20 each	29,910	29,910	29,910	29,910
16.	**REVALUATION RESERVE**				
	Land and buildings	40,824	42,085	40,824	42,085
	Plant and machinery	26,312	26,879	26,312	26,879
		67,136	68,964	67,136	68,964
	The movements of reserves were as follows:				
	Land & Buildings:				
	At start of year	42,085	43,349	42,085	43,349
	Transfer of excess depreciation	(1,812)	(1,806)	(1,802)	(1,806)
	Revaluation surplus on land and buildings	542	-	-	-
	Deferred tax on transfer of excess depreciation	544	542	541	542
	At end of year	41,359	42,085	40,824	42,085
	Plant and machinery:				
	At start of year	26,879	27,457	26,879	27,457
	Transfer of excess depreciation	(857)	(799)	(795)	(799)
	Revaluation surplus on plant and machinery	2,614	-	-	-
	Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment	(11)	(19)	(11)	(19)
	Deferred tax on transfer of excess depreciation	258	240	239	240
	At end of year	28,883	26,879	26,312	26,879
	Total				
	At start of year	68,964	70,806	68,964	70,806
	Transfer of excess depreciation	(2,669)	(2,605)	(2,597)	(2,605)
	Revaluation surplus on property, plant and equipment	3,156	-	-	-
	Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment	(11)	(19)	(11)	(19)
	Deferred tax on transfer of excess depreciation	802	782	780	782
	At end of year	70,242	68,964	67,136	68,964

The revaluation reserve arose on the revaluation of buildings and plant and machinery and is not distributable.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

17. RETIREMENT BENEFIT OBLIGATIONS AND LONG-TERM SERVICE DUES

	Group and Company	
	2015 TZS Million	2014 TZS Million
At start of year	930	910
Less: amounts utilised	(178)	(238)
Charge to profit or loss [Note 7]	325	258
At end of year	1,077	930

The group operates a gratuity scheme for qualifying employees which qualifies as a defined benefit scheme. Under the plan, the employees are entitled to 1 month basic salary for each completed year of services up to 10 years, between 10 to 20 years the employees are entitled to 1.5 month of basic salary and above 20 years the employees are entitled to 2 months basic salary.

18. DEFERRED TAX

Deferred tax is calculated in full, on all temporary timing differences under the liability method using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

	Group		Company	
	2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
At start of year	32,042	34,794	32,042	34,794
(Credit) to profit or loss	(3,499)	(2,752)	(4,851)	(2,752)
At end of year	28,543	32,042	27,191	32,042

Deferred tax liabilities/(assets) and deferred tax charge/(credit) to profit or loss are attributable to the following items:

Group	**At start of year TZS Million**	**Charge/ (credit) for the year TZS Million**	**At end of year TZS Million**
Deferred tax liabilities			
Property, plant and equipment			
– historical cost	30,931	2,624	33,555
– revaluation	3,142	(2,154)	988
	34,073	470	34,543
Deferred tax (assets)			
Other provisions	(2,031)	(3,969)	(6,000)
	(2,031)	(3,969)	(6,000)
Net deferred tax liability	32,042	(3,499)	28,543

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

Company	At start of year TZS Million	Charge/ (credit) for the year TZS Million	At end of year TZS Million
Deferred tax liabilities			
Property, plant and equipment			
– historical cost	30,931	(102)	30,829
– revaluation	3,142	(780)	2,362
	34,073	(882)	33,191
Deferred tax (assets)			
Other provisions	(2,031)	(3,969)	(6,000)
	(2,031)	(3,969)	(6,000)
Net deferred tax liability	32,042	(4,851)	27,191

	Group		Company	
	2015 TZS Million	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
Charged as follows:				
Charged to other comprehensive income	1,352	-	-	-
Charged to profit or loss [Note 9]	(4,851)	(2,752)	(4,851)	(2,752)
	(3,499)	(2,752)	(4,851)	(2,752)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 TZS Million	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
Trade payables	25,690	22,502	25,690	22,502
Accruals and other payables	7,361	7,651	7,129	7,453
Payable to related parties [Note 22 (viii)]	2,466	20,366	2,466	20,366
	35,517	50,519	35,285	50,321

– Trade and other payables are non-interest bearing and are normally settled within three months.

– The carrying values of trade and other payables are assumed to approximate their fair values due to the short term nature of trade receivables and payables.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

The carrying amounts of the trade and other payables are denominated in the following currencies:

	Group		Company	
	2015 TZS Million	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
Tanzanian Shillings	4,171	45,114	4,171	44,916
US Dollars	31,346	5,405	31,114	5,405
	35,517	50,519	35,285	50,321

The maturity analysis of current trade and other payables is as follows:

	0 to 3 months TZS Million	**3 to 12 months TZS Million**	**Over 12 months TZS Million**	**Total TZS Million**
Year ended 31 December 2015				
Group				
Trade payables	21,349	2,528	1,813	25,690
Accruals and other payables	3,530	1,169	2,662	7,361
Payable to related parties	2,420	46	-	2,466
	27,299	3,743	4,475	35,517

	0 to 3 months TZS Million	**3 to 12 months TZS Million**	**Over 12 months TZS Million**	**Total TZS Million**
Year ended 31 December 2015				
Company				
Trade payables	21,349	2,528	1,813	25,690
Accruals and other payables	3,298	1,169	2,662	7,129
Payable to related parties	2,420	46	-	2,466
	27,067	3,743	4,475	35,285

	0 to 3 months TZS Million	**3 to 12 months TZS Million**	**Over 12 months TZS Million**	**Total TZS Million**
Year ended 31 December 2014				
Group				
Trade payables	21,255	144	1,103	22,502
Accruals and other payables	4,690	107	2,854	7,651
Payable to related parties	7,756	12,610	-	20,366
	33,701	12,861	3,957	50,519

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

19. TRADE AND OTHER PAYABLES (continued)

	0 to 3 months TZS Million	3 to 12 months TZS Million	Over 12 months TZS Million	Total TZS Million
Year ended 31 December 2014				
Company				
Trade payables	21,255	144	1,103	22,502
Accruals and other payables	4,492	107	2,854	7,453
Payable to related parties	7,756	12,610	-	20,366
	33,503	12,861	3,957	50,321

20. BORROWINGS

	Group		Company	
	2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
The borrowings are made up as follows:				
a. Non Current				
Loan payable to related parties [Note 22 (x)]	35,364	-	35,364	-
	35,364	-	35,364	-
b. Current				
Bank overdraft	-	14,792	-	14,792
	-	14,792	-	14,792

Bank borrowings are secured by:

– Floating charge over current assets (present and future) of the company covering credit facility from Standard Chartered Bank Tanzania Limited

– Legal charge over 7 properties total amounting to TZS. 11.59 billion (2014 TZS. 7.76 billion) covering facilities from National Bank of Commerce Limited.The charges are subsequently discharged in January 2016.

Weighted average effective interest rates at the year-end were as follows:

	Group and Company	
	2015 TZS Million	2014 TZS Million
Bank overdraft - TZS	8.42%	9.60%
Bank overdraft - USD	3.17%	3.15%

The carrying amounts of borrowings approximate to their fair values.

The carrying amounts of the company's borrowings are denominated in the following currencies:

Tanzania Shillings	-	169
US Dollars	35,364	14,623
	35,364	14,792

The borrowing facilities expiring within one year are subject to review at various dates during the next financial year.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

	Group		Company	
21. CASH GENERATED FROM OPERATIONS	**2015 TZS Million**	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
Reconciliation of profit before tax to cash generated from operations:				
Profit before tax	19,614	13,431	19,694	13,436
Adjustments for:				
Depreciation on property, plant and equipment [Note 10]	7,664	7,503	7,592	7,503
Interest expense [Note 8(a)]	1,025	1,009	1,025	1,009
Interest income [Note 8(b)]	(2,479)	(2,049)	(2,479)	(2,049)
Foreign exchange gain (net)	(779)	(255)	(779)	(255)
Loss on disposal of property, plant and equipment	64	36	64	36
Increase in retirement benefit obligations [Note 17]	147	20	147	20
Changes in working capital:				
– Decrease/ (increase) in inventories	19,969	(8,646)	19,969	(8,646)
– Increase in trade and other receivables	(24,093)	(2,549)	(24,071)	(2,529)
– Decrease in trade and other payables	(15,002)	(17,797)	(15,036)	(17,822)
Cash generated/ (used in) from operations	6,130	(9,297)	6,126	(9,297)

22. RELATED PARTY TRANSACTIONS AND BALANCES

The immediate holding company is Gulf Africa Petroleum Corporation, a company incorporated and registered in Mauritius while the ultimate holding company is Reliance Industries Limited, India. Gapco Kenya Limited, Gapco Uganda Limited, Reliance Petro Marketing Limited and Reliance Corporate IT Park Limited are related through common holding. Gapco Rwanda Limited ceased to be related party as on August 2014.

The following transactions were carried out with related parties:

	Group		Company	
	2015 TZS Million	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
i) **Hospitality/storage services**				
– Gapco Uganda Limited	-	19	-	19
– Gapco Rwanda Limited	-	45	-	45
	-	64	-	64
ii) **Purchase of goods and services**				
– Gapco Kenya Limited	20,833	88,158	20,833	88,158
– Reliance Industries Limited	1,007	861	1,007	861
– Reliance Corporate IT Park Limited	719	621	719	621
	22,559	89,640	22,559	89,640

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

	Group		Company	
	2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
iii) Sales of goods and services				
– Gapco Kenya Limited	28	19	28	19
– Gapco Uganda Limited	807	532	807	532
	835	551	835	551
iv) Trade license fees				
Reliance Petro Marketing Limited	133	101	133	101
v) Interest expense				
– Reliance Industries Limited	-	913	-	913
vi) Interest income on interest bearing loan due from related party	2,244	1,910	2,244	1,910
vii) Interest expense on interest bearing loan due to related party	911	-	911	-

Sales and purchases to/from related parties were made at arms length prices.

viii) **Outstanding balances arising from sale and purchase of goods/services and advances.**

	Group		Company	
	2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
Receivable from other related companies				
– Gapco Uganda Limited	110	75	110	75
– Gapoil (Zanzibar) Limited	-	-	4	-
Receivable from related parties (Note 13)	110	75	114	75
Payable to ultimate parent company				
– Reliance Industries Limited	820	1,538	820	1,538
Payables to other related companies				
– Gapco Kenya Limited	946	18,278	946	18,278
– Reliance Corporate IT Park Limited	612	528	612	528
– Reliance Petro Marketing Limited	88	22	88	22
	1,646	18,828	1,646	18,828
Payable to related parties (Note 19)	2,466	20,366	2,466	20,366

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

		Group		Company	
		2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
ix)	**Loan to parent company**				
	At start of year	73,159	68,532	73,159	68,532
	Additions	19,610	4,627	19,610	4,627
	At end of year	92,769	73,159	92,769	73,159
x)	**Loan from related parties**				
	Gapco Uganda Limited	35,364	-	35,364	-

Loan to parent company is unsecured and attracts a interest rate of 4% per annum. Loan from Gapco Uganda Limited is unsecured and attract a interest rate of 4.5% per annum.

		Group 2015	Group 2014	Company 2015	Company 2014
xi)	**Loan to subsidiary company**				
	Gapoil (Zanzibar) Limited	-	-	1,922	1,922
xii)	**Directors' Remuneration**				
	Salaries and other short-term benefits (net)	192	147	192	147

23. COMMITMENTS

i) **Operating lease commitments**

The future minimum lease payments under non-cancellable operating leases are as follows:

	Group and Company	
	2015 TZS Million	2014 TZS Million
Not later than 1 year	124	147

ii) **Capital commitments**

Capital expenditure contracted for at the reporting date is as follows:

	2015 TZS Million	2014 TZS Million
Property, plant and equipment	2,558	5,414

24. CONTINGENT LIABILITIES

i) Guarantees issued by banks on behalf of the Company:

Standard Chartered Bank - Performance Guarantee - TZS 1,403,350,000 (2014: TZS 1,130,350,000)

ii) Letters of Credit:

Standard Chartered Bank - TZS 28,121,080,964 (2014: TZS 28,471,080,283)

iii) Indemnity bonds issued to statutory authorities - TZS 25,020,000,000 (2014: TZS 25,020,000,000).

iv) Claims against the Company not acknowledged by the company - TZS 236,749,463 (2014: TZS 402,991,513).

No provision has been made as professional advice indicates that it is unlikely that any significant claim will arise if there were any rulings against the Group.

The Directors are not aware of any other major contingent liabilities that are required to be disclosed or recorded in accordance with International Financial Reporting Standards.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

25. RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out by the management. Management identifies, evaluates and hedges financial risks in close co-operation with the board.

(a) Market risk

– *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollars. The risk arises from future transactions, assets and liabilities in the statement of financial position.

The table below summarises the effect on post-tax profit and components of equity had the Tanzania Shilling weakened by 10% against each currency, with all other variables held constant. If the Tanzania Shilling strengthened against each currency, the effect would have been the opposite.

	Group and Company	
	2015	**2014**
	TZS Million	**TZS Million**
Effect on profit - Increase	2,333	3,944

– *Interest rate risk*

The companies exposure to interest rate risk arises from loan receivables, non-current borrowings/ current borrowings and interest bearing creditors. Borrowings obtained at different rates expose the Company to interest rate risk. Borrowings obtained at fixed rates expose the company to fair value interest rate risk.

During the year ended 31 December 2015, if interest rates at that date had been 5 percentage point higher with all other variables held constant, post-tax profit for the year would have been Nil (2014: TZS. Nil), arising mainly as a result of parent company loan fully paid.

(b) Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables.

Management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set by management based on internal or external information available. The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

The amount that best represents the Group's maximum exposure to credit risk as at 31 December 2015 is made up as follows:

	Fully performing TZS Million	Past due TZS Million	Impaired TZS Million	Total TZS Million
Year ended 31 December 2015				
Trade receivables	7,000	1,415	431	8,846
Provision for impairment	-	-	(431)	(431)
	7,000	1,415	-	8,415
Receivables from related parties	110	-	-	110
Loan receivables from related parties	92,769	-	-	92,769
Bank balances	24,101	-	-	24,101
	123,980	1,415	-	125,395

(b) Credit risk (Continued)

The amount that best represents the Group's maximum exposure to credit risk as at 31 December 2014 is made up as follows:

	Fully performing TZS Million	Past due TZS Million	Impaired TZS Million	Total TZS Million
Year ended 31 December 2014				
Trade receivables	3,667	554	386	4,607
Provision for impairment	-	-	(386)	(386)
	3,667	554	-	4,221
Receivables from related parties	75	-	-	75
Loan receivables from related parties	73,159	-	-	73,159
Bank balances	4,575	-	-	4,575
	81,476	554	-	82,030

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low.

The trade receivables that is overdue and not impaired continues to be paid. The Company is actively following this trade receivables.

The trade receivables that is impaired has been fully provided for. However, the Company is following up on the impaired trade receivables.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

Notes 19 and 20 disclose the maturity analysis of trade and other payables and borrowings respectively.

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

26. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk;
- to comply with the capital requirements set out by the company's bankers;
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong asset base to support the development of business; and
- to maintain an optimal capital structure to reduce the cost of capital.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, bonuses paid to directors or issue new shares. Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt to capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents.

Capital comprises all components of equity.

The gearing ratios at 31 December 2015 and 2014 were as follows:

	Group		Company	
	2015 TZS Million	2014 TZS Million	2015 TZS Million	2014 TZS Million
Total borrowings (Note 20)	35,364	14,792	35,364	14,792
Less cash and bank balances [Note 14]	(24,101)	(4,575)	(24,101)	(4,575)
Net debt	11,263	10,217	11,263	10,217
Total equity	197,920	173,299	194,929	173,384
Gearing ratio	0.06	0.06	0.06	0.06

Debt-to-capital ratio during the year 2015 is not calculated since the cash and cash equivalents exceeds the total borrowings.

27. INCORPORATION

Gapco Tanzania Limited is incorporated in Tanzania under the Companies Act, 2002 as a private limited company and is domiciled in Tanzania.

28. PRESENTATION CURRENCY

The financial statements are presented in Tanzania Shillings (TZS Million).

29. SUBSEQUENT EVENTS

There are no subsequent events that have occurred which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements.

Schedule of Expenditure for the year ended 31 December 2015

		Group		Company	
1.	**SELLING AND DISTRIBUTION**	**2015 TZS Million**	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
	Sales promotion expenses	33	56	33	56
	Advertising expenses	365	262	365	262
		398	**318**	**398**	**318**
2.	**ADMINISTRATIVE EXPENSES**				
	Employment				
	Salaries and wages	5,122	4,241	5,122	4,241
	Other staff expenses	976	908	976	908
	Staff medical and welfare	9	27	9	27
		6,107	**5,176**	**6,107**	**5,176**
	Other administrative expenses				
	Postages and telephones	249	143	249	143
	Printing and stationery	31	19	31	19
	Travelling and entertainment	1,022	936	1,022	936
	Subscriptions	44	70	44	70
	Donations	15	10	15	10
	Audit fees				
	– current year	103	77	90	67
	Legal and professional fees	2,480	2,267	2,478	2,266
	Miscellaneous expenses	220	155	220	155
	Bank charges	58	66	58	66
	Bad debts	45	416	45	416
	VAT expenses	334	282	331	280
		4,601	**4,441**	**4,583**	**4,428**
		10,708	**9,617**	**10,690**	**9,604**
3.	**OTHER OPERATING EXPENSES**				
	Establishment				
	Rent and rates	605	724	589	711
	Repairs and maintenance	1,441	1,107	1,441	1,107
	Electricity and water	192	237	192	237
	Insurance	878	931	878	931
	Security expenses	867	649	867	649
	Licenses	678	451	678	451
	Depreciation on property, plant and equipment	7,664	7,503	7,592	7,503
	Loss on disposal of property, plant and equipment	149	36	149	36
		12,474	**11,638**	**12,386**	**11,625**

Notes to the Consolidated and Company Financial Statements for the year ended 31 December 2015

	Group		Company	
	2015 TZS Million	**2014 TZS Million**	**2015 TZS Million**	**2014 TZS Million**
4. FINANCE COSTS				
Bank interest and charges	114	96	114	96
Other Interest	911	913	911	913
	1,025	**1,009**	**1,025**	**1,009**
5. FINANCE INCOME				
Interest income	2,479	2,049	2,479	2,049
Foreign exchange gain on Cash and bank (net)	779	255	779	255
Foreign exchange gain on others (net)	8,619	1,576	8,619	1,576
	11,877	**3,880**	**11,877**	**3,880**