# Declaration of the Registered Accountant in respect of the Financial Statements of Gapco Tanzania Limited for the year ended 31 December 2016

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by the accountant 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 a true and fair view position of the entity in accordance with international accounting standards and statutory financial reporting requirements. Full legal responsibility for the financial statements rests with the Board of Directors as stated under Directors Responsibility statement on the earlier page.

I, Mustansir Gulamhussein, being a registered accountant, hereby acknowledge that I have reviewed the financial statements of Gapco Tanzania Limited for the year ended 31 December 2016 which have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by: ………………………………………….

Position: Registered Accountant

NBAA Membership No : ACPA 1810

Date: ………………………………………………….

# Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GAPCO TANZANIA LIMITED

**Report on the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of GAPCO Tanzania Limited (the "Company"), and its subsidiary (together "the group"), set out on pages 11 to 47, which comprise the consolidated and company statement of financial position as at 31 December 2016, and the consolidated and company statement of profit or loss and other comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the company as at 31 December 2016 and of its Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2002.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The directors are responsible for the other information, which comprises the Chairman's statement, and the report of Directors.

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 on the other information that we obtained prior to the date of this auditor's report, 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 the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies' Act 2002, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

# Independent Auditors' Report *(Continued)*

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company audit. We remain responsible for our audit opinion.

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

**Report on Other Legal Requirements**

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 purposes of our audit;

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

(iii) the Consolidated and Company's statement of financial position (balance sheet) and the statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is David Nchimbi.

**Deloitte & Touche**
**Certified Public Accountants (Tanzania)**

**Signed by: David C. Nchimbi**
**Dar es Salaam** 22nd March, 2017

# Consolidated and Company Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December, 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2016 TZS Million** | 2015 TZS Million | **2016 TZS Million** | 2015 TZS Million |
| Revenue | **4** | 287,813 | 315,491 | 287,787 | 315,491 |
| Cost of sales | | (265,562) | (295,929) | (265,562) | (295,929) |
| **Gross profit** | | 22,251 | 19,562 | 22,225 | 19,562 |
| Other income | **5** | 14,157 | 12,780 | 14,157 | 12,754 |
| Selling and distribution expenses | | (160) | (398) | (160) | (398) |
| Administrative expenses | | (13,885) | (10,708) | (13,865) | (10,690) |
| Other operating expenses | | (12,410) | (20,586) | (12,000) | (20,498) |
| **Operating profit** | **6** | 9,953 | 650 | 10,357 | 730 |
| Finance costs | **8 (a)** | (1,133) | (1,025) | (1,133) | (1,025) |
| Finance income | **8 (b)** | 3,726 | 19,989 | 3,726 | 19,989 |
| **Profit before tax** | | 12,546 | 19,614 | 12,950 | 19,694 |
| Taxation (charge)/credit | **9 (a)** | (2,964) | 1,851 | (3,077) | 1,851 |
| **Profit for the year** | | **9,582** | **21,465** | **9,873** | **21,545** |
| **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** | | **9,582** | **24,621** | **9,873** | **21,545** |

# Consolidated and Company Statement of Financial Position as at 31 December, 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | **Notes** | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | | | | |
| Investment in subsidiary | **10** | 146,835 | 150,901 | 140,788 | 144,421 |
| | **11** | - | - | 165 | 165 |
| | | 146,835 | 150,901 | 140,953 | 144,586 |
| **Current assets** | | | | | |
| Inventories | **12** | 27,599 | 21,137 | 27,599 | 21,137 |
| Trade and other receivables | **13** | 99,993 | 102,328 | 101,671 | 104,069 |
| Tax recoverable | **9 (c)** | 205 | - | 203 | - |
| Cash and cash equivalents | **14** | 1,472 | 24,101 | 1,472 | 24,101 |
| | | 129,269 | 147,566 | 130,945 | 149,307 |
| **TOTAL ASSETS** | | **276,104** | **298,467** | **271,898** | **293,893** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | | | | | |
| Share capital | **15** | 29,910 | 29,910 | 29,910 | 29,910 |
| Revaluation reserve | **16** | 68,085 | 70,242 | 65,281 | 67,136 |
| Retained earnings | | 109,507 | 97,768 | 109,611 | 97,883 |
| | | 207,502 | 197,920 | 204,802 | 194,929 |
| **Non-current liabilities** | | | | | |
| Retirement benefit obligations | **17** | 1,215 | 1,077 | 1,215 | 1,077 |
| Long term borrowings | **20** | 7,573 | 35,364 | 7,573 | 35,364 |
| Deferred tax liability | **18** | 26,632 | 28,543 | 25,393 | 27,191 |
| | | 35,420 | 64,984 | 34,181 | 63,632 |
| **Current liabilities** | | | | | |
| Trade and other payables | **19** | 33,182 | 35,517 | 32,915 | 35,285 |
| Tax payable | **9 (c)** | - | 46 | - | 47 |
| | | 33,182 | 35,563 | 32,915 | 35,332 |
| **TOTAL EQUITY AND LIABILITIES** | | **276,104** | **298,467** | **271,898** | **293,893** |

The financial statements and were approved and authorised for issue by the Board of Directors 08 March 2017 and were signed on its behalf by:

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**Subhasish Mukherjee**
Director

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**Vijay Govindan Kutty Nair**
Director

# Consolidated Statement of Changes in Equity for the year ended 31 December, 2016

| | Notes | Share capital TZS Million | Revaluation reserve TZS Million | Retained earnings TZS Million | Total TZS Million |
|---|---|---|---|---|---|
| **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** |
| **31 December 2016** | | | | | |
| **At start of year** | | 29,910 | 70,242 | 97,768 | 197,920 |
| Total comprehensive income | | - | - | 9,582 | 9,582 |
| Transfer of excess depreciation on property, plant and equipment | **16** | - | (3,027) | 3,027 | - |
| Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment | **16** | - | (38) | 38 | - |
| Deferred tax on transfer of excess depreciation | **16** | - | 908 | (908) | - |
| **At end of year** | | **29,910** | **68,085** | **109,507** | **207,502** |

# Company Statement of Changes in Equity for the year ended 31 December, 2016

| | Notes | Share capital TZS Million | Revaluation reserve TZS Million | Retained earnings TZS Million | Total TZS Million |
|---|---|---|---|---|---|
| **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 on 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 |
| **31 December 2016** | | | | | |
| **At start of year** | | 29,910 | 67,136 | 97,883 | 194,929 |
| Total comprehensive income | | - | - | 9,873 | 9,873 |
| Transfer of excess depreciation property, plant and equipment | **16** | - | (2,595) | 2,595 | - |
| Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment | **16** | - | (38) | 38 | - |
| Deferred tax on transfer of excess depreciation | **16** | - | 778 | (778) | - |
| **At end of year** | | 29,910 | 65,281 | 109,611 | 204,802 |

# Consolidated and Company Statement of Cash Flows for the year ended 31 December, 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | **Notes** | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| **Operating activities** | | | | | |
| Cash generated from operations | **21** | 13,272 | 6,130 | 13,271 | 6,126 |
| Tax paid | **9 (c)** | (5,126) | (3,127) | (5,125) | (3,123) |
| Net cash generated from operating activities | | 8,146 | 3,003 | 8,146 | 3,003 |
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | **10** | (4,462) | (6,540) | (4,462) | (6,540) |
| Proceeds from disposal of property, plant and equipment | | 44 | 258 | 44 | 258 |
| Interest received | | 2,473 | 2,479 | 2,473 | 2,479 |
| Net cash used in investing activities | | (1,945) | (3,803) | (1,945) | (3,803) |
| **Financing activities** | | | | | |
| Long term borrowings received | | - | 35,364 | - | 35,364 |
| Long term borrowings repaid | | (27,791) | - | (27,791) | - |
| Interest paid | | (1,133) | (1,025) | (1,133) | (1,025) |
| Net cash (used in)/generated from financing activities | | (28,924) | 34,339 | (28,924) | 34,339 |
| (Decrease)/Increase in cash and cash equivalents | | (22,723) | 33,539 | (22,723) | 33,539 |
| **Movement in cash and cash equivalents** | | | | | |
| At start of year | | 24,101 | (10,217) | 24,101 | (10,217) |
| (Decrease)/Increase in cash and cash equivalents | | (22,723) | 33,539 | (22,723) | 33,539 |
| Effect of exchange rate changes | | 94 | 779 | 94 | 779 |
| At end of year | **14** | 1,472 | 24,101 | 1,472 | 24,101 |

# Notes to the Consolidated and Company Financial Statements for the year ended 31 December, 2016

**1. GENERAL INFORMATION**

The consolidated financial statements of the Company and its subsidiary (collectively, the Group) for the year ended 31 December 2016 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 Adoption of new and revised International Financial Reporting Standards (IFRSs)**

**(i) New standards and amendments to published standards effective for the year ended 31 December 2016**

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

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

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business 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).
- Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognised for acquisitions of interests in joint operations occurring in prior periods are not adjusted.
- The Directors of the Company do not anticipate that the application of these amendments to IFRS 11 will have a significant impact on the Company's financial statements as the Company does not have interests in joint ventures

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

Amends 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
- 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 Directors of the Company do not anticipate that the application of these amendments to IASs 16 and 38 will have a significant impact on the Company's financial statements as the Company's selection of depreciation method is not based on its revenues

**Amendments to IAS 1 Disclosure Initiative**

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

**Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants**

Amends 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 Directors of the Company do not anticipate that the application of these amendments to IASs 16 and 41 will have a significant impact on the Company's financial statements as the Company does not deal in agriculture.

**Equity Method in Separate Financial Statements (Amendments to IAS 27)**

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

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

**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.

Note: Entities which are eligible to apply IFRS 14 are not required to do so, and so can chose to apply only the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs.

The standard does not have impact on the financial statements of the company as the Company is not a first time IFRS adopter.

**Annual Improvements 2012-2014 Cycle**

The annual improvements 2012-2014 cycle made amendments to the following standards:

- **IFRS 5 -** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is di tid
- **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 7 -** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements
- **IAS 19 -** Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid
- **IAS 34 -** Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

The application of these amendments did not have a significant impact on the Company's financial statements as the Company was already compliant to the requirements.

**(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2016**

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

| | Effective for accounting periods beginning on or after |
|---|---|
| IFRS 9, Financial Instruments (2014) | 1 January 2018 |
| IFRS 15 Revenue from Contracts with Customers | 1 January 2018 |
| IFRS 16 Leases | 1 January 2019 |
| Disclosure Initiative (Amendments to IAS 7) | 1 January 2017 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |
| Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) | 1 January 2017 |
| Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) | 1 January 2018 |
| Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) | 1 January 2018 |
| Transfers of Investment Property (Amendments to IAS 40) | 1 January 2018 |
| Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) | Effective date deferred indefinitely |
| Annual Improvements to IFRS Standards 2014–2016 Cycle; | |
| • amendments to IFRS 1 and IAS 28 | 1 January 2018 |
| • amendment to IFRS 12 | 1 January 2017 |

**(iii) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2016**

**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 39 Financial 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's operations, this standard may not have a pervasive impact on the Group's financial statements when effective.

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

**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 2018 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 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 16 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.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration**

The interpretation addresses foreign currency transactions or parts of transactions where: There is consideration that is denominated or priced in a foreign currency; the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IFRIC 22 is effective for accounting periods beginning on or after 1 January 2018 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

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

Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to 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 3 Business 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 a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The amendments to IFRS 10 and IAS 28 effective date is deferred indefinitely and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

**Amendments to IFRS 4 Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'**

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date. The Directors do not anticipate that its adoption will result into material impact on the financial statements

**Amendments to IAS 40 Transfers of Investment Property**

The amendments to IAS 40 Investment Property:

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

IAS 40 is effective for accounting periods beginning on or after 1 January 2018\ and is not expected to have significant impact on the financial statements.

**Annual Improvements to IFRS Standards 2014–2016 Cycle**

Makes amendments to the following standards:

- **IFRS 1 -** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose
- **IFRS 12 -** Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- **IAS 28 -** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition

The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

**(iv) Early adoption of standards**

The Company did not early-adopt any new or amended standards in the year ended 31 December 2016.

## 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 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

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

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.

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.

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

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.

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.

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.

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

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

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.

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.

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

**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, 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, 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| **4.** | **REVENUE** | | | | |
| | Sale of petroleum products | 287,813 | 315,491 | 287,787 | 315,491 |
| **5.** | **OTHER INCOME** | | | | |
| | Throughput fees | 11,805 | 11,986 | 11,805 | 11,986 |
| | Miscellaneous income | 2,226 | 618 | 2,226 | 618 |
| | Rental income | 123 | 91 | 123 | 65 |
| | Gain on disposal of property, plant and equipment | 3 | 85 | 3 | 85 |
| | | 14,157 | 12,780 | 14,157 | 12,754 |
| **6.** | **OPERATING PROFIT** | | | | |
| | The following items have been charged/(credited) in arriving at the operating profit: | | | | |
| | Depreciation on property, plant and equipment [Note 10] | 8,420 | 7,664 | 7,987 | 7,592 |
| | Staff costs [Note 7] | 7,927 | 6,107 | 7,927 | 6,107 |
| | Auditors' remuneration | 115 | 103 | 100 | 90 |
| | Operating lease rentals | 496 | 605 | 480 | 589 |
| | Loss on disposal of property, plant and equipment | 67 | 149 | 67 | 149 |
| | Bad debts | (202) | 45 | (202) | 45 |
| | Repairs and maintenance | 1,370 | 1,441 | 1,370 | 1,441 |
| **7.** | **STAFF COSTS** | | | | |
| | Salaries and wages | 6,281 | 4,494 | 6,281 | 4,494 |
| | Provision for retirement benefit obligations [Note 17] | 256 | 325 | 256 | 325 |
| | Other staff costs | 1,074 | 985 | 1,074 | 985 |
| | Social security contribution: | | | | |
| | – National Social Security Fund | 316 | 303 | 316 | 303 |
| | | 7,927 | 6,107 | 7,927 | 6,107 |

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| **8. (a) FINANCE COST** | | | | |
| Interest expense | | | | |
| – bank borrowings | 12 | 114 | 12 | 114 |
| – Other interest | 1,121 | 911 | 1,121 | 911 |
| | 1,133 | 1,025 | 1,133 | 1,025 |
| **(b) FINANCE INCOME** | | | | |
| Interest income | 2,473 | 2,479 | 2,473 | 2,479 |
| Foreign exchange gain (net) | 1,253 | 17,510 | 1,253 | 17,510 |
| | 3,726 | 19,989 | 3,726 | 19,989 |
| **9. TAXATION** | | | | |
| **(a) Taxation charge** | | | | |
| Current tax based on taxable income | 4,238 | 2,408 | 4,238 | 2,408 |
| Excess provision in prior periods | (166) | - | (166) | - |
| Under provision in prior periods | 803 | 592 | 803 | 592 |
| | 4,875 | 3,000 | 4,875 | 3,000 |
| Deferred tax charge [Note 18] | (1,911) | (4,851) | (1,798) | (4,851) |
| | 2,964 | (1,851) | 3,077 | (1,851) |
| **(b) Reconciliation of expected tax based on accounting profit to tax charge** | | | | |
| Profit before tax | 12,546 | 19,614 | 12,950 | 19,694 |
| Tax calculated at the rate of 30% | 3,764 | 5,884 | 3,885 | 5,908 |
| Tax effect of: | | | | |
| - Expenses not deductible for tax purposes | (1,437) | (8,327) | (1,445) | (8,351) |
| - Adjustment for excess provision in prior periods | (166) | - | (166) | - |
| - Adjustment for under provision in prior periods | 803 | 592 | 803 | 592 |
| | 2,964 | (1,851) | 3,077 | (1,851) |
| **(c) Tax payable** | | | | |
| At start of year | 46 | 173 | 47 | 170 |
| Charged to profit or loss | 4,875 | 3,000 | 4,875 | 3,000 |
| Tax paid during the year | (5,126) | (3,127) | (5,125) | (3,123) |
| At end of year | (205) | 46 | (203) | 47 |

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

## 10. PROPERTY, PLANT AND EQUIPMENT

**Year ended 31 December 2016**

**GROUP**

| | 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 |
|---|---|---|---|---|---|---|---|
| **Cost or valuation** | | | | | | | |
| At start of year | 2,263 | 88,845 | 72,377 | 342 | 959 | 2,138 | 166,924 |
| Transfer from capital work-in-progress | - | 3,098 | 2,353 | - | 53 | (5,504) | - |
| Additions | - | - | - | - | - | 4,462 | 4,462 |
| Disposals | (47) | (5) | (108) | (39) | (12) | - | (211) |
| At end of year | 2,216 | 91,938 | 74,622 | 303 | 1,000 | 1,096 | 171,175 |
| **Comprising** | | | | | | | |
| Cost | 2,216 | 45,780 | 57,318 | 303 | 1,000 | 1,096 | 107,713 |
| Revaluation | - | 46,158 | 17,304 | - | - | - | 63,462 |
| | 2,216 | 91,938 | 74,622 | 303 | 1,000 | 1,096 | 171,175 |
| **Depreciation** | | | | | | | |
| At start of year | 684 | 6,534 | 7,860 | 296 | 649 | - | 16,023 |
| Charge for the year | 118 | 3,559 | 4,668 | 46 | 29 | - | 8,420 |
| Disposal | (47) | (1) | (15) | (39) | (1) | - | (103) |
| At end of year | 755 | 10,092 | 12,513 | 303 | 677 | - | 24,340 |
| **Net carrying amount** | 1,461 | 81,846 | 62,109 | - | 323 | 1,096 | 146,835 |

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 Separate Financial Statements for the year ended 31 December, 2016

**10. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Year ended 31 December 2015**

**GROUP**

| | 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 |
|---|---|---|---|---|---|---|---|
| **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. 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 Separate Financial Statements for the year ended 31 December, 2016

**10. PROPERTY, PLANT AND EQUIPMENT (Continued)**

| | 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 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | | | | |
| **Cost or valuation** | | | | | | | |
| At start of year | 1,953 | 86,338 | 68,642 | 342 | 959 | 2,138 | 160,372 |
| Transfer from capital work-in-progress | - | 3,098 | 2,353 | - | 53 | (5,504) | - |
| Additions | - | - | - | - | - | 4,462 | 4,462 |
| Disposals | (47) | (5) | (108) | (39) | (12) | - | (211) |
| At end of year | 1,906 | 89,431 | 70,887 | 303 | 1,000 | 1,096 | 164,623 |
| **Comprising** | | | | | | | |
| Cost | 1,906 | 44,047 | 57,318 | 303 | 1,000 | 1,096 | 105,670 |
| Revaluation | - | 45,384 | 13,569 | - | - | - | 58,953 |
| | 1,906 | 89,431 | 70,887 | 303 | 1,000 | 1,096 | 164,623 |
| **Depreciation** | | | | | | | |
| At start of year | 684 | 6,524 | 7,798 | 296 | 649 | - | 15,951 |
| Charge for the year | 118 | 3,499 | 4,295 | 46 | 29 | - | 7,987 |
| Opening Adjustment | - | - | - | - | - | - | - |
| Disposal | (47) | (1) | (15) | (39) | (1) | - | (103) |
| At end of year | 755 | 10,022 | 12,078 | 303 | 677 | - | 23,835 |
| **Net carrying amount** | 1,151 | 79,409 | 58,809 | - | 323 | 1,096 | 140,788 |

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 Separate Financial Statements for the year ended 31 December, 2016

**10. PROPERTY, PLANT AND EQUIPMENT (Continued)**

**Year ended 31 December 2015**

**COMPANY**

| | 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 |
|---|---|---|---|---|---|---|---|
| **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 |
| 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.

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 Separate Financial Statements for the year ended 31 December, 2016

**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 | Buildings | Plant and machinery | Total |
|---|---|---|---|
| **Year 2016** | **TZS Million** | **TZS Million** | **TZS Million** |
| Cost | 45,780 | 57,318 | 103,098 |
| Accumulated depreciation | (26,924) | (39,009) | (65,933) |
| Net carrying amount | 18,856 | 18,309 | 37,165 |
| **Year 2015** | | | |
| Cost | 42,687 | 55,073 | 97,760 |
| Accumulated depreciation | (23,366) | (34,356) | (57,722) |
| Net carrying amount | 19,321 | 20,717 | 40,038 |

**11. INVESTMENT IN SUBSIDIARY**

| Shares at cost | Country of incorporation | Holding | Company 2016 TZS Million | Company 2015 TZS Million |
|---|---|---|---|---|
| Gapoil (Zanzibar) Limited | Zanzibar | 99.99% | 165 | 165 |

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

**12. INVENTORIES**

| | Group and Company 2016 TZS Million | Group and Company 2015 TZS Million |
|---|---|---|
| Fuel and lubricant stocks | 26,777 | 20,785 |
| Material and supplies | 822 | 352 |
| | 27,599 | 21,137 |

**13. TRADE AND OTHER RECEIVABLES**

| | Group 2016 TZS Million | Group 2015 TZS Million | Company 2016 TZS Million | Company 2015 TZS Million |
|---|---|---|---|---|
| Trade receivables | 3,392 | 8,846 | 3,392 | 8,846 |
| Less: provision for impairment | (90) | (431) | (90) | (431) |
| Net trade receivables | 3,302 | 8,415 | 3,302 | 8,415 |
| Prepayment and deferred charges | 697 | 1,034 | 448 | 849 |
| Receivable from related parties [Note 22 (vi) and 22 (viii)] | 95,994 | 92,879 | 97,921 | 94,805 |
| | 99,993 | 102,328 | 101,671 | 104,069 |

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. 100 million (2015: 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:

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| Tanzania Shillings | 2,327 | 2,603 | 4,005 | 4,344 |
| US Dollars | 97,666 | 99,803 | 97,666 | 99,803 |
| | 99,993 | 102,406 | 101,671 | 104,147 |

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

As of 31 December 2016, trade receivables amounting to TZS. 1,484 million (2015: TZS. 1,846 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 2016, trade receivables amounting to TZS. 90 million (2015: TZS. 431 million) were past due and impaired

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

| | **2016** | 2015 |
|---|---|---|
| | **TZS Million** | TZS Million |
| Opening balance | 431 | 386 |
| Additions | 90 | 45 |
| Recoveries | (307) | - |
| Write off | (124) | - |
| Closing balance | 90 | 431 |

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** | **2016** | 2015 |
| | **TZS Million** | TZS Million |
| Cash at bank and in hand | 1,472 | 24,101 |
| For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the following: | | |
| Cash and bank balances | 1,472 | 24,101 |
| The carrying amounts of the group’s cash at bank and in hand are denominated in the following currencies: | | |
| Tanzania Shillings | 1,455 | 10,287 |
| US Dollars | 17 | 13,814 |
| | 1,472 | 24,101 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| **15. SHARE CAPITAL** | | | | |
| **Authorised:** | | | | |
| 3,285,000,000 (2015: 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 (2015: 1,495,521,900) ordinary shares of TZS. 20 each | 29,910 | 29,910 | 29,910 | 29,910 |

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| **16. REVALUATION RESERVE** | | | | |
| Land and buildings | 40,057 | 41,359 | 39,563 | 40,824 |
| Plant and machinery | 28,028 | 28,883 | 25,718 | 26,312 |
| | 68,085 | 70,242 | 65,281 | 67,136 |
| The movements of reserves were as follows: | | | | |
| **Land & Buildings:** | | | | |
| At start of year | 41,359 | 42,085 | 40,824 | 42,085 |
| Transfer of excess depreciation | (1,860) | (1,812) | (1,801) | (1,802) |
| Revaluation surplus on land and buildings | - | 542 | - | - |
| Deferred tax on transfer of excess depreciation | 558 | 544 | 540 | 541 |
| At end of year | 40,057 | 41,359 | 39,563 | 40,824 |
| **Plant and machinery:** | | | | |
| At start of year | 28,883 | 26,879 | 26,312 | 26,879 |
| Transfer of excess depreciation | (1,167) | (857) | (794) | (795) |
| Revaluation surplus on plant and machinery | - | 2,614 | - | - |
| Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment | (38) | (11) | (38) | (11) |
| Deferred tax on transfer of excess depreciation | 350 | 258 | 238 | 239 |
| At end of year | 28,028 | 28,883 | 25,718 | 26,312 |
| **Total** | | | | |
| At start of year | 70,242 | 68,964 | 67,136 | 68,964 |
| Transfer of excess depreciation | (3,027) | (2,669) | (2,595) | (2,597) |
| Revaluation surplus on property, plant and equipment | - | 3,156 | - | - |
| Transfer to retained earnings from revaluation reserve on disposal of property, plant and equipment | (38) | (11) | (38) | (11) |
| Deferred tax on transfer of excess depreciation | 908 | 802 | 778 | 780 |
| At end of year | 68,085 | 70,242 | 65,281 | 67,136 |

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

**17. RETIREMENT BENEFIT OBLIGATIONS AND LONG-TERM SERVICE DUES**

| | Group and Company | |
|---|---|---|
| | **2016** | 2015 |
| | **TZS Million** | TZS Million |
| At start of year | 1,077 | 930 |
| Less: amounts utilised | (118) | (178) |
| Charge to profit or loss [Note 7] | 256 | 325 |
| At end of year | 1,215 | 1,077 |

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.

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

## 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 | |
|---|---|---|---|---|
| | **2016 TZS Million** | 2015 TZS Million | **2016 TZS Million** | 2015 TZS Million |
| At start of year | 28,543 | 32,042 | 27,191 | 32,042 |
| (Credit) to profit or loss | (1,911) | (3,499) | (1,798) | (4,851) |
| At end of year | 26,632 | 28,543 | 25,393 | 27,191 |

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

| | **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 | 33,555 | (6,059) | 27,496 |
| - revaluation | 988 | (929) | 59 |
| | 34,543 | (6,988) | 27,555 |
| **Deferred tax (assets)** | | | |
| Other provisions | (6,000) | 5,077 | (923) |
| | (6,000) | 5,077 | (923) |
| **Net deferred tax liability** | 28,543 | (1,911) | 26,632 |
| **Company** | | | |
| **Deferred tax liabilities** | | | |
| Property, plant and equipment | | | |
| - historical cost | 30,829 | (6,059) | 24,770 |
| - revaluation | 2,362 | (778) | 1,584 |
| | 33,191 | (6,837) | 26,354 |
| **Deferred tax (assets)** | | | |
| Other provisions | (6,000) | 5,039 | (961) |
| | (6,000) | 5,039 | (961) |
| **Net deferred tax liability** | 27,191 | (1,798) | 25,393 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 TZS Million** | 2015 TZS Million | **2016 TZS Million** | 2015 TZS Million |
| **Charged as follows:** | | | | |
| Charged to other comprehensive income | - | 1,352 | - | - |
| Charged to profit or loss [Note 9] | (1,911) | (4,851) | (1,798) | (4,851) |
| | (1,911) | (3,499) | (1,798) | (4,851) |

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

## 19. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 TZS Million** | 2015 TZS Million | **2016 TZS Million** | 2015 TZS Million |
| Trade payables | 19,910 | 25,690 | 19,910 | 25,690 |
| Accruals and other payables | 10,498 | 7,361 | 10,231 | 7,129 |
| Payable to related parties [Note 22 (vi)] | 2,774 | 2,466 | 2,774 | 2,466 |
| | 33,182 | 35,517 | 32,915 | 35,285 |

- 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.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 TZS Million** | 2015 TZS Million | **2016 TZS Million** | 2015 TZS Million |
| Tanzanian Shillings | 4,852 | 4,171 | 4,852 | 4,171 |
| US Dollars | 28,330 | 31,346 | 28,063 | 31,114 |
| | 33,182 | 35,517 | 32,915 | 35,285 |

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 2016** | | | | |
| **Group** | | | | |
| Trade payables | 18,575 | 641 | 694 | 19,910 |
| Accruals and other payables | 6,921 | 660 | 2,917 | 10,498 |
| Payable to related parties | 2,774 | - | - | 2,774 |
| | 28,270 | 1,301 | 3,611 | 33,182 |

| | **0 to 3 months TZS Million** | **3 to 12 months TZS Million** | **Over 12 months TZS Million** | **Total TZS Million** |
|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | |
| **Company** | | | | |
| Trade payables | 18,575 | 641 | 694 | 19,910 |
| Accruals and other payables | 6,654 | 660 | 2,917 | 10,231 |
| Payable to related parties | 2,774 | - | - | 2,774 |
| | 28,003 | 1,301 | 3,611 | 32,915 |

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

| | 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 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2016 TZS Million** | 2015 TZS Million | **2016 TZS Million** | 2015 TZS Million |
| **20. BORROWINGS** | | | | |
| The borrowings are made up as follows: | | | | |
| **Non Current** | | | | |
| Loan payable to related parties [Note 22 (vii)] | 7,573 | 35,364 | 7,573 | 35,364 |
| | 7,573 | 35,364 | 7,573 | 35,364 |

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. NIL (2015 TZS. 11.59 billion) covering facilities from National Bank of Commerce Limited.The charges were subsequently discharged in January 2016.

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

| | Group and Company | |
|---|---|---|
| | **2016** | 2015 |
| Bank overdraft - TZS | 11.38% | 8.42% |
| Bank overdraft - USD | 3.52% | 3.17% |

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 | - | - |
| US Dollars | 7,573 | 35,364 |
| | 7,573 | 35,364 |

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

Loan payable to related parties will be repaid by 30th June 2018 as per loan agreement.

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| **21. CASH GENERATED FROM OPERATIONS** | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| Reconciliation of profit before tax to cash generated from operations: | | | | |
| Profit before tax | 12,546 | 19,614 | 12,950 | 19,694 |
| **Adjustments for:** | | | | |
| Depreciation on property, plant and equipment [Note 10] | 8,420 | 7,664 | 7,987 | 7,592 |
| Interest expense [Note 8(a)] | 1,133 | 1,025 | 1,133 | 1,025 |
| Interest income [Note 8(b)] | (2,473) | (2,479) | (2,473) | (2,479) |
| Foreign exchange gain (net) | (94) | (779) | (94) | (779) |
| Loss on disposal of property, plant and equipment | 64 | 64 | 64 | 64 |
| Increase in retirement benefit obligations [Note 17] | 138 | 147 | 138 | 147 |
| *Changes in working capital:* | | | | |
| - Decrease/ (increase) in inventories | (6,462) | 19,969 | (6,462) | 19,969 |
| - Decrease/ (increase) in trade and other receivables | 2,335 | (24,093) | 2,398 | (24,071) |
| - Decrease in trade and other payables | (2,335) | (15,002) | (2,370) | (15,036) |
| Cash generated from operations | 13,272 | 6,130 | 13,271 | 6,126 |

**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.

The following transactions were carried out with related parties:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| i) **Purchase of goods and services** | | | | |
| - Gapco Kenya Limited | 5,429 | 20,833 | 5,429 | 20,833 |
| - Reliance Industries Limited | 931 | 1,007 | 931 | 1,007 |
| - Reliance Corporate IT Park Limited | 701 | 719 | 701 | 719 |
| | 7,061 | 22,559 | 7,061 | 22,559 |
| ii) **Sales of goods and services** | | | | |
| - Gapco Kenya Limited | - | 28 | - | 28 |
| - Gapco Uganda Limited | 603 | 807 | 603 | 807 |
| | 603 | 835 | 603 | 835 |
| iii) **Trade license fees** | | | | |
| Reliance Petro Marketing Limited | 136 | 133 | 136 | 133 |
| iv) **Interest income on interest bearing advances due from related party** | 2,263 | 2,244 | 2,263 | 2,244 |
| v) **Interest expense on interest bearing loan due to related party** | 1,121 | 911 | 1,121 | 911 |

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

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| vi) **Outstanding balances arising from sale and purchase of goods/services and advances.** | | | | |
| **Receivable from other related companies** | | | | |
| - Gapco Uganda Limited | - | 110 | - | 110 |
| - Gapoil (Zanzibar) Limited | - | - | 5 | 4 |
| - Gulf Africa Petroleum Corporation | 95,994 | 92,769 | 95,994 | 92,769 |
| **Receivable from related parties (Note 13)** | 95,994 | 92,879 | 95,999 | 92,883 |
| **Payable to ultimate parent company** | | | | |
| - Reliance Industries Limited | 318 | 820 | 318 | 820 |
| **Payables to other related companies** | | | | |
| - Gapco Kenya Limited | 2,281 | 946 | 2,281 | 946 |
| - Reliance Corporate IT Park Limited | 148 | 612 | 148 | 612 |
| - Reliance Petro Marketing Limited | 27 | 88 | 27 | 88 |
| | 2,456 | 1,646 | 2,456 | 1,646 |
| **Payable to related parties (Note 19)** | 2,774 | 2,466 | 2,774 | 2,466 |
| vii) **Loan from related parties** | | | | |
| Gapco Uganda Limited | 7,573 | 35,364 | 7,573 | 35,364 |

Loan from Gapco Uganda Limited is unsecured and attract a interest rate of 4.5% per annum.

| | Group | | Company | |
|---|---|---|---|---|
| viii) **Loan to subsidiary company** | | | | |
| Gapoil (Zanzibar) Limited | - | - | 1,922 | 1,922 |
| ix) **Directors' Remuneration** | | | | |
| Salaries and other short-term benefits (net) | 207 | 192 | 207 | 192 |

**23. COMMITMENTS**

i) **Operating lease commitments**

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

| | Group and Company | |
|---|---|---|
| | **2016** | 2015 |
| | **TZS Million** | TZS Million |
| Not later than 1 year | 116 | 124 |

ii) **Capital commitments**

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

| | | |
|---|---|---|
| Property, plant and equipment | 466 | 2,558 |

**24. CONTINGENT LIABILITIES**

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

Standard Chartered Bank - Performance Guarantee - TZS 1,422,200,000 (2015: TZS 1,403,350,000)

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

ii) Letters of Credit :
Standard Chartered Bank - TZS 25,474,839,365 (2015: TZS 28,121,080,964)

iii) Indemnity bonds issued to statutory authorities - TZS 25,020,000,000 (2015: TZS 25,020,000,000).

iv) Claims against the Company not acknowledged by the company - TZS 34,000,000 (2015: TZS 236,749,463).

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.

## 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** | |
|---|---|---|
| | **2016** | 2015 |
| | **TZS Million** | TZS Million |
| Effect on profit - Increase | (2,363) | 2,333 |

- *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.

The Group and Company is not exposed to interest rate risk because it does not have floating interest financial instruments.

### (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 Separate Financial Statements for the year ended 31 December, 2016

The amount that best represents the Group's maximum exposure to credit risk as at 31 December 2016 is made up as follows:

| | Fully performing TZS Million | Past due TZS Million | Impaired TZS Million | Total TZS Million |
|---|---|---|---|---|
| **Year ended 31 December 2016** | | | | |
| Trade receivables | 1,908 | 1,394 | 90 | 3,392 |
| Provision for impairment | - | - | (90) | (90) |
| | 1,908 | 1,394 | - | 3,302 |
| Receivables from related parties | 95,994 | - | - | 95,994 |
| Bank balances | 1,472 | - | - | 1,472 |
| | 99,374 | 1,394 | - | 100,768 |

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 |
|---|---|---|---|---|
| Trade receivables | 7,000 | 1,415 | 431 | 8,846 |
| Provision for impairment | - | - | (431) | (431) |
| | 7,000 | 1,415 | - | 8,415 |
| Receivables from related parties | 92,879 | - | - | 92,879 |
| Bank balances | 24,101 | - | - | 24,101 |
| | 123,980 | 1,415 | - | 125,395 |

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

## 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

# Notes to the Consolidated and Separate Financial Statements for the year ended 31 December, 2016

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 2016 and 2015 were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| Total borrowings (Note 20) | 7,573 | 35,364 | 7,573 | 35,364 |
| Less cash and bank balances [Note 14] | (1,472) | (24,101) | (1,472) | (24,101) |
| Net debt | 6,101 | 11,263 | 6,101 | 11,263 |
| Total equity | 207,502 | 197,920 | 204,802 | 194,929 |
| Gearing ratio | 0.03 | 0.06 | 0.03 | 0.06 |

## 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

After the year-end, the Directors have proposed interim dividend of TZS 51.30 billion on ordinary shares and were approved by the shareholders on 1st February 2017.

There are no other 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, 2016

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| 1. | **SELLING AND DISTRIBUTION** | **TZS Million** | TZS Million | **TZS Million** | TZS Million |
| | Sales promotion expenses | 64 | 33 | 64 | 33 |
| | Advertising expenses | 96 | 365 | 96 | 365 |
| | | **160** | **398** | **160** | **398** |
| 2. | **ADMINISTRATIVE EXPENSES** | | | | |
| | **Employment** | | | | |
| | Salaries and wages | 6,853 | 5,122 | 6,853 | 5,122 |
| | Other staff expenses | 1,064 | 976 | 1,064 | 976 |
| | Staff medical and welfare | 10 | 9 | 10 | 9 |
| | | **7,927** | **6,107** | **7,927** | **6,107** |
| | **Other administrative expenses** | | | | |
| | Postages and telephones | 295 | 249 | 295 | 249 |
| | Printing and stationery | 30 | 31 | 30 | 31 |
| | Travelling and entertainment | 2,166 | 1,022 | 2,166 | 1,022 |
| | Subscriptions | 51 | 44 | 51 | 44 |
| | Donations | 43 | 15 | 43 | 15 |
| | Audit fees - current year | 115 | 103 | 100 | 90 |
| | Legal and professional fees | 2,886 | 2,480 | 2,884 | 2,478 |
| | Miscellaneous expenses | 131 | 220 | 131 | 220 |
| | Bank charges | 76 | 58 | 76 | 58 |
| | Bad debts recover/(charge) | (202) | 45 | (202) | 45 |
| | VAT expenses | 367 | 334 | 364 | 331 |
| | | **5,958** | **4,601** | **5,938** | **4,583** |
| | | **13,885** | **10,708** | **13,865** | **10,690** |
| 3. | **OTHER OPERATING EXPENSES** | | | | |
| | **Establishment** | | | | |
| | Rent and rates | 496 | 605 | 480 | 589 |
| | Repairs and maintenance | 1,370 | 1,441 | 1,370 | 1,441 |
| | Electricity and water | 198 | 192 | 198 | 192 |
| | Insurance | 935 | 878 | 935 | 878 |
| | Security expenses | 877 | 867 | 877 | 867 |
| | Licenses | 304 | 678 | 304 | 678 |
| | Depreciation on property, plant and equipment | 8,420 | 7,664 | 7,987 | 7,592 |
| | Loss on disposal of property, plant and equipment | 67 | 149 | 67 | 149 |
| | Foreign exchange (gain)/loss on others (net) | (257) | 8,112 | (218) | 8,112 |
| | | **12,410** | **20,586** | **12,000** | **20,498** |
| 4. | **FINANCE COSTS** | | | | |
| | Bank interest and charges | 12 | 114 | 12 | 114 |
| | Other Interest | 1,121 | 911 | 1,121 | 911 |
| | | **1,133** | **1,025** | **1,133** | **1,025** |
| 5. | **FINANCE INCOME** | | | | |
| | Interest income | 2,473 | 2,479 | 2,473 | 2,479 |
| | Foreign exchange gain on Cash and bank (net) | 94 | 779 | 94 | 779 |
| | Foreign exchange gain on loan and borrowings (net) | 1,159 | 16,731 | 1,159 | 16,731 |
| | | **3,726** | **19,989** | **3,726** | **19,989** |