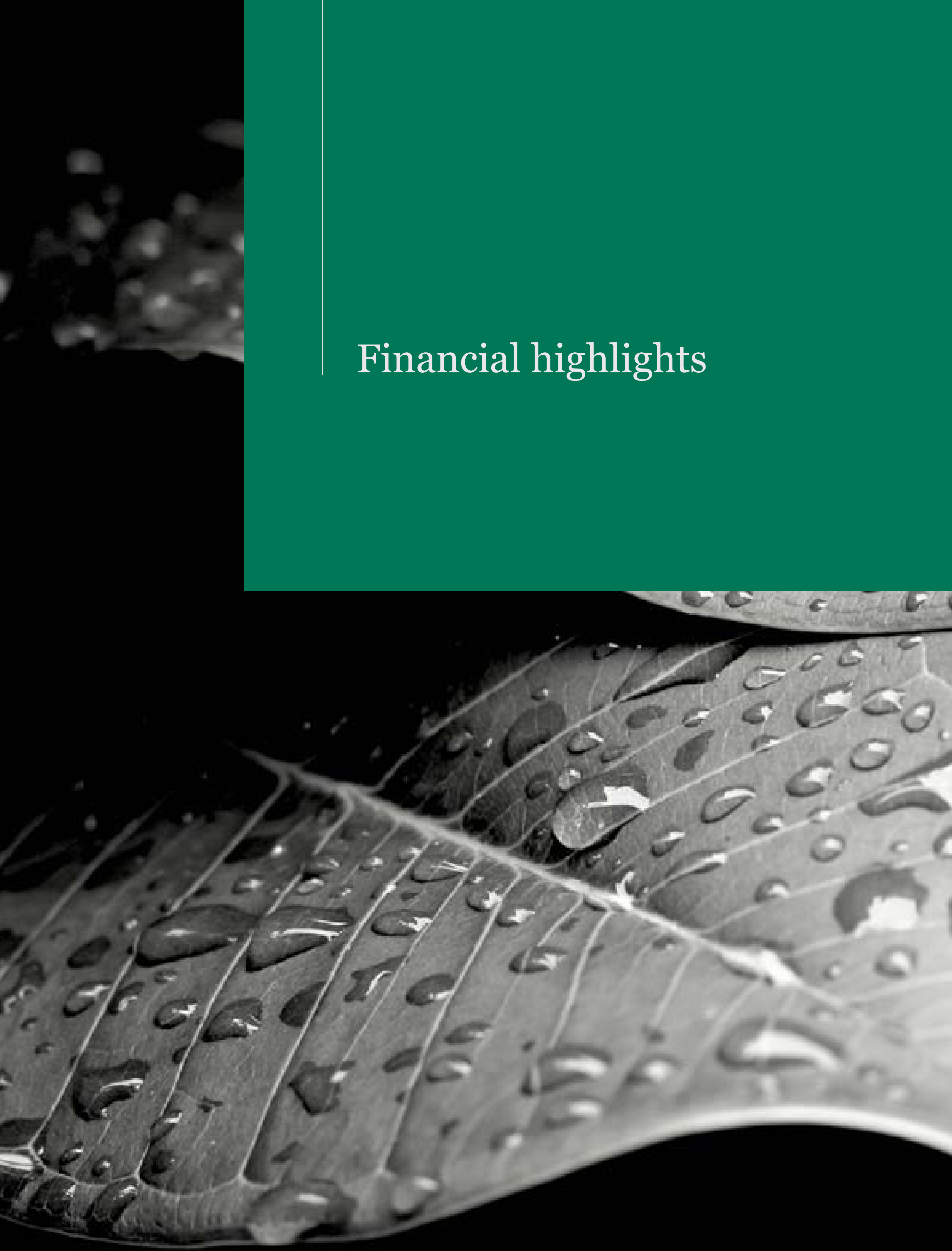
Tanzania Cigarette Company Limited (TCC)
Rasilimali ya Tanzania

Annual Report

for the year ended December 31,2016

Contents



Financial highlights

Financial highlights

Consolidated five year financial summary

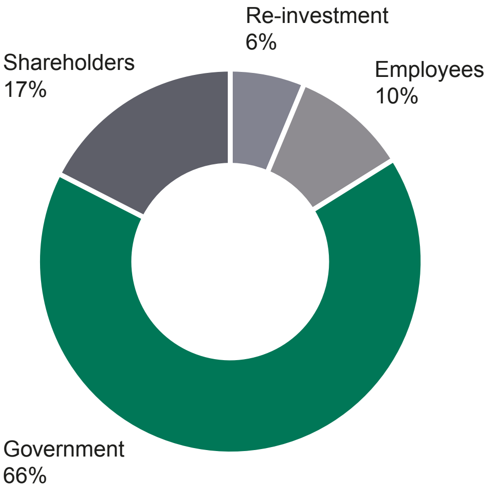
	2012 TZS M	2013 TZS M	2014 TZS M	2015 TZS M	2016 TZS M
For the year:					
Gross Turnover	422,594	445,633	461,720	496,675	499,457
VAT	58,805	60,450	62,493	64,940	66,403
Revenue	363,789	385,184	399,227	431,735	433,054
Excise duty	82,370	94,582	115,317	131,185	132,092
Net sales	**281,419**	**290,601**	**283,910**	**300,550**	**300,962**
EBITDA	134,028	125,797	109,721	112,840	108,159
Depreciation and amortization	12,683	15,788	14,955	15,710	12,890
Gross Profit	187,714	186,610	171,536	178,997	170,892
Operating income	121,345	110,009	94,765	97,130	95,269
Net Finance (income) expense	(1,201)	(2,128)	(3,495)	(2,263)	(3,365)
Corporate tax	37,787	34,079	29,661	31,585	29,964
Net income	**85,941**	**78,058**	**68,600**	**65,711**	**68,669**
At year end:					
Net Property, plant and equipment	96,527	100,078	94,884	87,474	89,353
Total assets	222,982	248,749	247,258	229,972	257,212
Interest bearing debts	-	-	-	-	-
Total Liabilities	50,065	67,980	68,842	55,632	70,496
Total shareholders' equity	172,917	180,769	178,416	174,340	186,716
For the year:					
Net cash generated by operating activities	72,125	105,869	92,754	66,419	61,507
Net cash used in investing activities	(15,552)	(19,432)	(9,371)	(7,535)	(14,261)
Net cash used in financing activities	(60,000)	(75,000)	(70,000)	(70,000)	(60,000)
Cash Flow for the year	(3,427)	11,437	13,383	(11,116)	(12,754)
Dividend per share (TZS)	750	750	650	600	600
Earning per share (TZS)	859	781	686	657	687
Profitabilty:					
Return on equity	53%	44%	39%	37%	38%
EBITDA margin	48%	43%	39%	38%	36%
Operating income margin	43%	38%	33%	32%	32%
Total assets turnover	1.32	1.23	1.15	1.26	1.17
Stability:					
Current ratio	378%	274%	279%	346%	289%
Debt ratio (total liabilities/total assets)	22%	27%	28%	24%	27%

Financial highlights
Value added

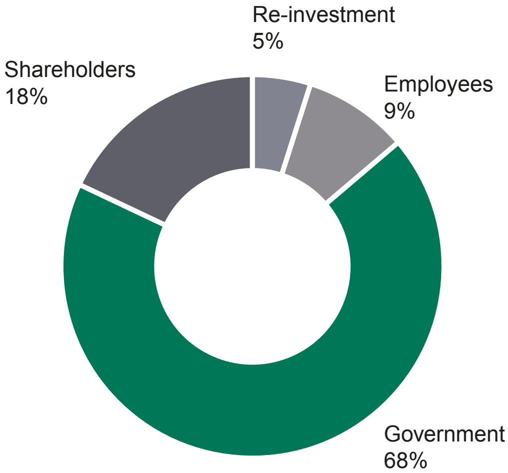
	2016 TZS M	%	2015 TZS M	%
Gross turnover	499,457		496,675	
Operating expenditures - suppliers	(155,674)		(162,933)	
Total Value added	**343,783**	**100.0**	**333,742**	**100.0**
Value distributed as follows:				
To Employees - remuneration	33,765	9.8	29,612	8.9
To Government - vat,excise duties	198,495	57.7	196,125	58.8
To Government - corporate tax	29,964	8.7	31,585	9.5
To shareholders - dividends	60,000	17.5	60,000	18.0
To Reinvestment:				
Depreciation and amortisation	12,890	3.7	15,709	4.7
Retained income	8,669	2.5	711	0.2
Total distributions	**343,783**	**100.0**	**333,742**	**100.0**

Value distributed (%)

2016



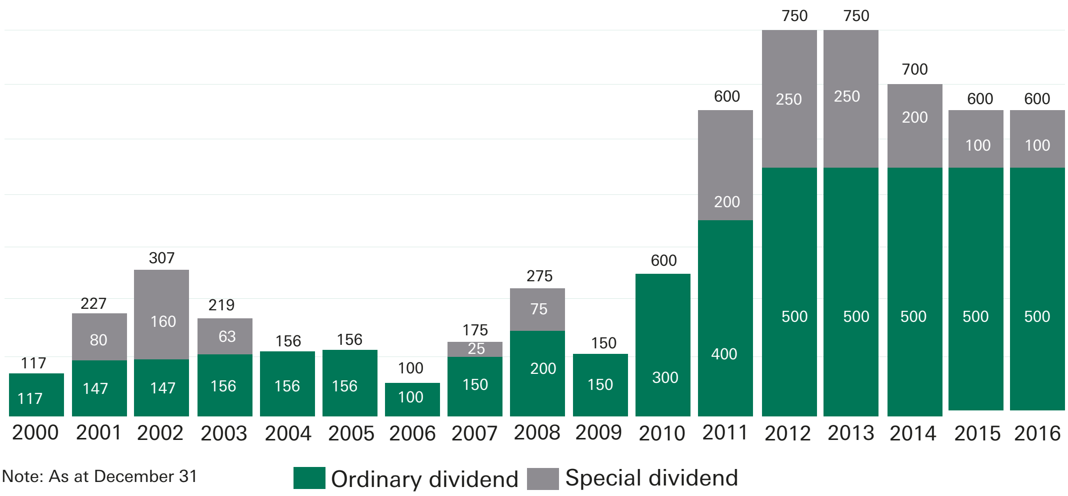
2015



Financial highlights

Dividend history

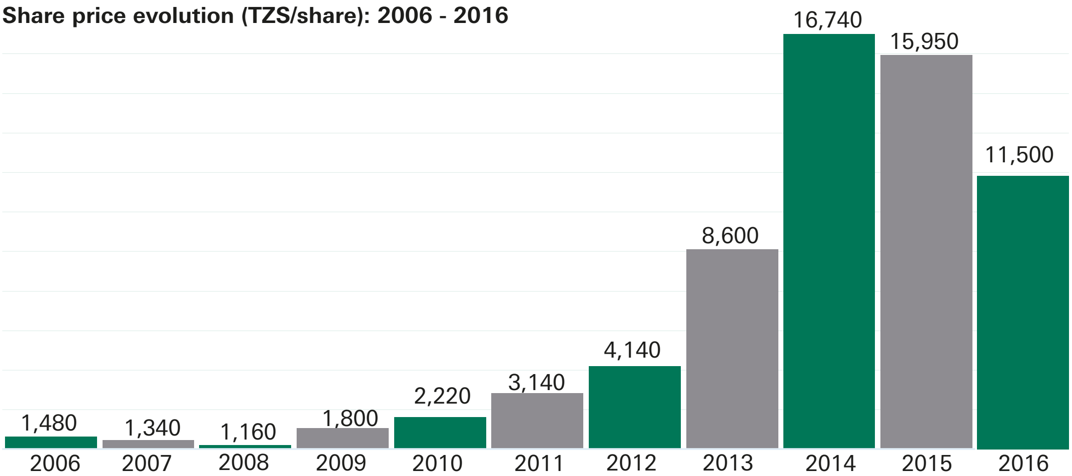
Dividend per share for respective financial year (TZ/share): 2000 - 2016



Note: As at December 31

Share price evolution

Share price evolution (TZS/share): 2006 - 2016



Note: As at December 31

TCC at a glance

Our vision and mission

Our vision is to be the most responsible Company in East Africa.

Our mission is to grow volume while defending our market share, by delivering quality brands, maximizing consumer and customer satisfaction through innovation, engaged employees, integrity and excellence in execution.

TCC at a glance

Our values

Enterprising

We have the courage to do things differently. We work together to achieve our long-term goal. This leads to new ideas resulting in fresh perspectives and innovation. This is fuelled by our creative energy and agile minds.

Open

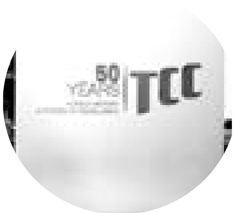
We believe in openness and transparency in everything we do. Diverse cultures inspire us, knowledge informs us and integrity guides us. This means making the right decisions, earning us the reputation as the trusted voice of authority within our industry.

Challenging

We strive for continuous improvement. This means embedding quality into everything we do and never accepting second best. We set the standards that become benchmarks for the entire industry. This enables us to challenge the status quo and be ahead of the market - a leader not a follower.

TCC at a glance

Our history



2011 Company marks its 50th anniversary

2000 TCC is listed in the Dar es Salaam Stock Exchange. Japan Tobacco International (JTI) increases its shareholding in TCC from 51% to 75%.

1999 Japan Tobacco Inc. (JT) acquires the non US Tobacco operations of R.J. Reynolds Tobacco and consequently TCC.

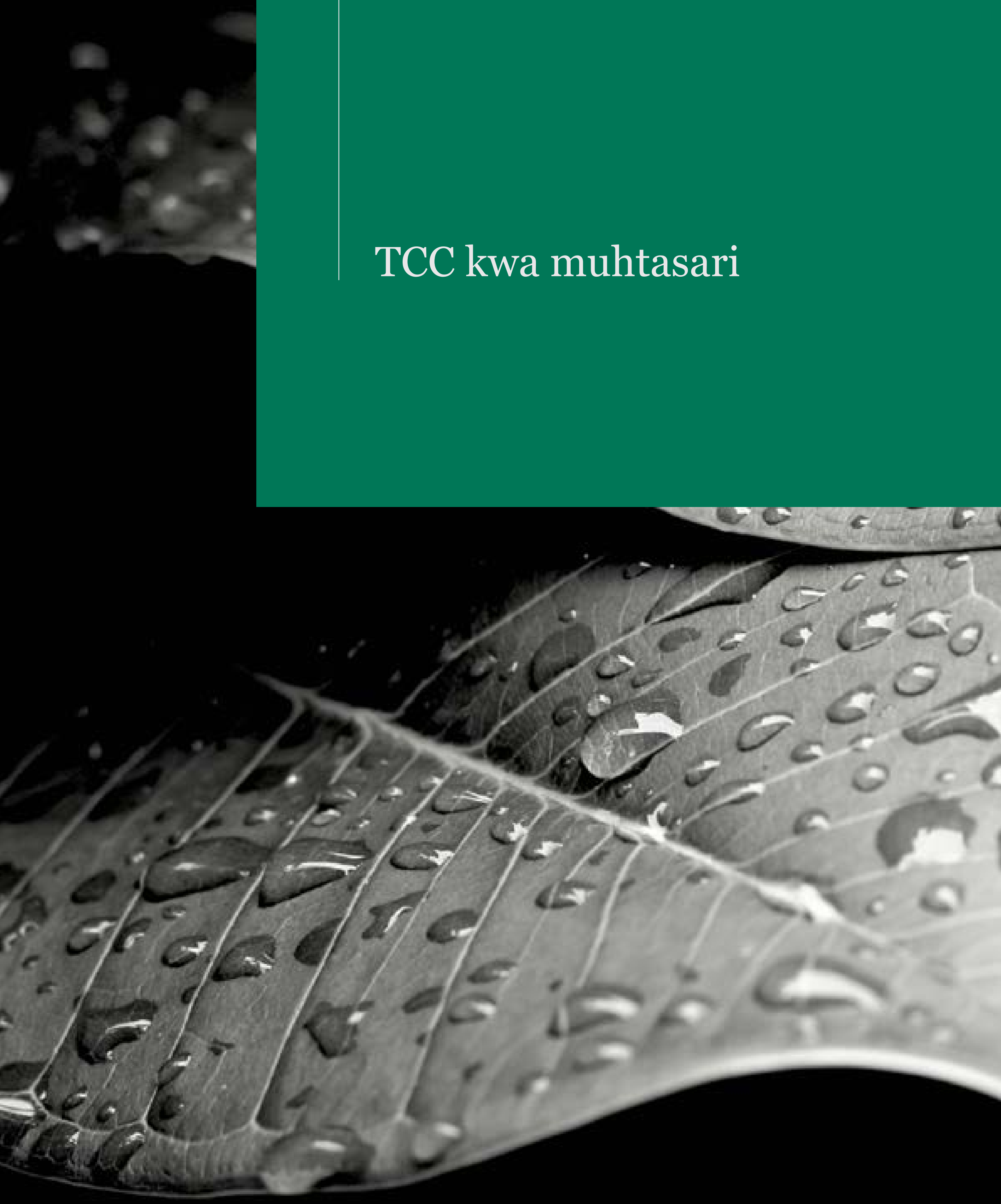
1995 TCC is privatized. R.J. Reynolds Tobacco of USA acquires 51% stake in TCC.

1975 The Government acquires the remaining 40%. The company is renamed Tanzania Cigarette Company Limited (TCC).

1967 TCC is nationalized. The Governmentacquires 60% stake from British American Tobacco (BAT).

1961 Factory is officially opened by Mwalimu Julius K. Nyerere on December 4.

TCC kwa muhtasari



Dhamira na dira yetu

Dhamira yetu ni kuwa Kampuni inayowajibika zaidi Afrika Mashariki.
Dira yetu ni kukuza wingi wa bidhaa huku tukitetea mgao wetu wa soko, kuzalisha bidhaa bora na kuendelea kuwaridhisha walaji na wateja kwa uwezo wetu wote,kupitia ubunifu, wafanyakazi walioshirikishwa,uadilifu na umahiri katika utendaji.

TCC kwa muhtasari

Maadili yetu

Ujasiri

Tuna ujasiri wa kufanya mambo kwa namna tofauti. Tunashirikiana kufikia lengo letu la muda mrefu. Hali hii inaibua mawazo mapya yanayoleta ubunifu na mitazamo mipya. Hii inachochewa zaidi na nguvu yetu ya ubunifu na fikra zenye mwamko wa kukabili mabadiliko.

Uwazi

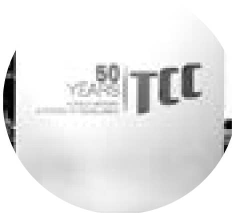
Tunaamini katika kuzingatia uwazi na ubayana katika kila kitu tunachofanya. Tamaduni za aina tofauti zinatupa ari, maarifa yanatuongezea ujuzi na uadilifu unatuongoza. Hii inamaanisha kufanya maamuzi sahihi, kutupa heshima kama sauti yenye mamlaka inayoaminika katika sekta yetu.

Changamoto

Hii ina maana kuweka ubora kwenye kila kitu tunachofanya na kamwe hatukubali kuwa wa pili. Tunaweka viwango vinavyokua vigezo linganishi kwa sekta yote. Hii inatuwezesha kuupa changamoto utendaji halisi wa sasa na kuongoza kwenye soko - kiongozi na si mfuasi.

TCC kwa muhtasari

Historia yetu



2011 Kampuni iliadhimisha miaka yake 50.

2000 TCC iliorodheshwa kwenye Soko la Hisa la Dar es Salaam. Japan Tobacco International (JTI), iliongeza hisa zake za TCC kutoka 51% hadi 75%.

1999 Japan Tobacco Inc. (JT) ya Tokyo ilinunua shughuli za makampuni zilizomilikiwa na R.J. Reynolds Tobacco zilizokua nje ya Marekani, ikiwemo TCC.

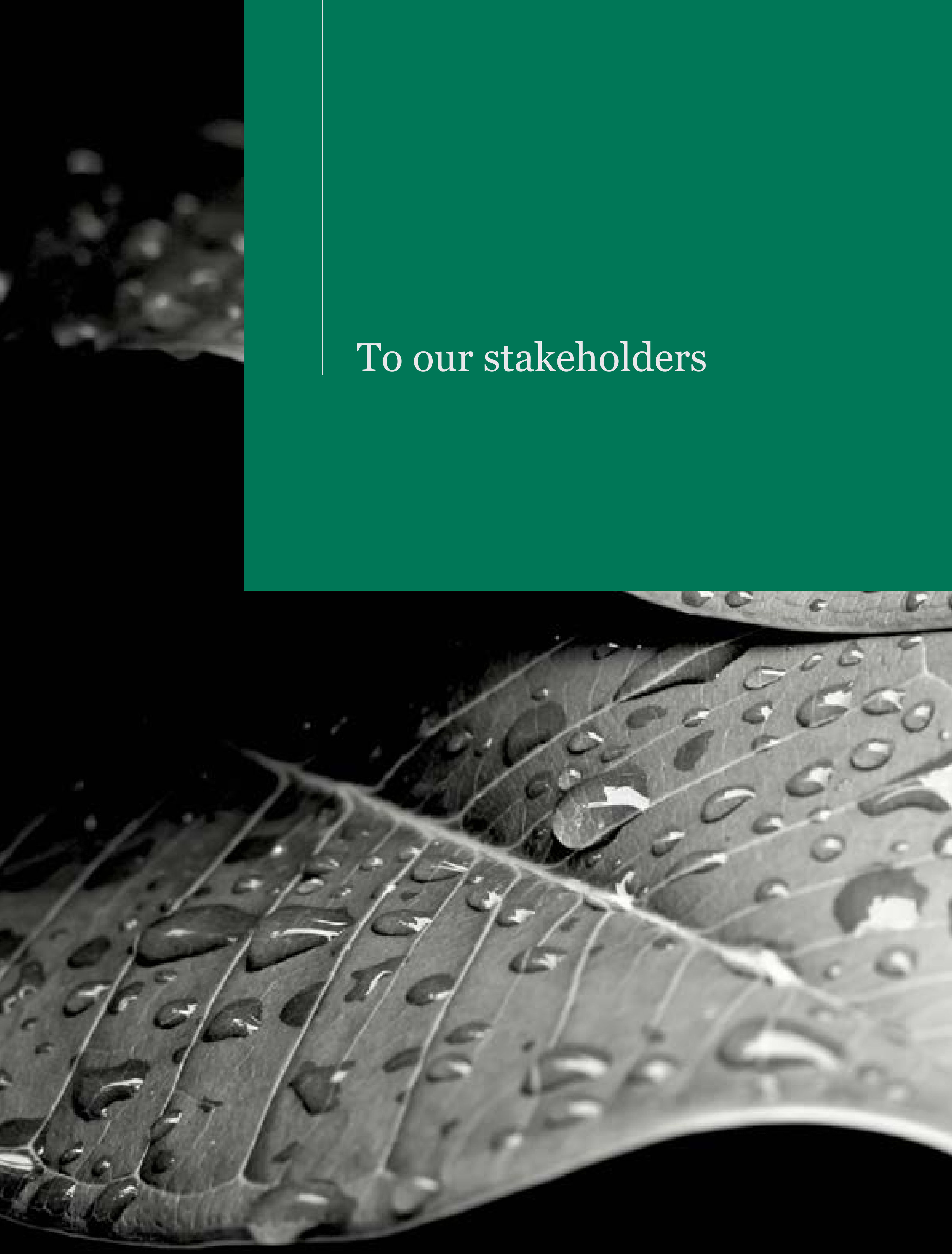
1995 TCC ilibinafsishwa kwa R.J. Reynolds Tobacco ya Marekani ambayo ilinunua 51% ya hisa za TCC.

1975 Serikali ilichukua 40% ya hisa zilizobaki.Kampuni ikabadilishwa jina na kuwa Tanzania Cigarette Company Limited (TCC).

1967 Serikali ilitaifisha Kampuni na kuchukua 60% ya hisa kutoka kwa British American Tobacco (BAT).

1961 Kiwanda kilifunguliwa rasmi na Mwalimu Julius K. Nyerere Disemba 4.

To our stakeholders



Message from the Chairman

Dear Shareholders,

It gives me great pleasure to share with you our financial performance for the year ended December 31, 2016. You will be pleased to know that, despite a tight economy in 2016 and a number of challenges in our export markets, we delivered good financial results for the year.

Results for the year

Overall sales volume declined by 5.6% year-on-year generally due to economic pressure across the African markets. In particular, political instability in DRC and the operational challenges recently faced in Zambia negatively affected our export volume which fell 11.9% compared to 2015.

Domestic market continued to be undermined by the growing illicit trade, volume was 1.8% lower than prior year. This decline in volume was however off-set by pricing and further operational efficiencies; 11.6% operating expenses reduction versus 2015.

As a result gross turnover increased by 1% to TZS 499.5 billion in 2016 compared to TZS 496.7 billion in 2015; net sales remained flat at TZS 301.0 billion in 2016 compared to TZS 300.6 billion in 2015; and gross profit declined 4.5% to TZS 170.9 billion from TZS 179.0 billion in the prior year.

Nevertheless, our net profit grew by 4.5%. We achieved a net profit of TZS 68.7 billion in 2016 versus TZS 65.7 billion in 2015. Effective and efficient management of operating expenses was the main driver behind this growth.

Dividends

In view of the results achieved, the Board of Directors of TCC recommended a final ordinary gross dividend of TZS 200 per share (2015: TZS 200 per share) and a special gross dividend of TZS 100 per share (2015: TZS 100 per share). With the interim gross dividend of TZS 300 per share paid in November 2016, the total dividend for the year ended December 31, 2016 is TZS 600 per share (2015: TZS 600 per share).

The final gross ordinary and special dividends will be paid on or about April 13, 2017, subject to shareholders' approval at the Annual General Meeting to be held on March 17, 2017.

Prospects for the future

These results indicate that the Company is well positioned for future growth, subject to a more conducive business environment. Specifically: higher rates of economic growth that drive disposable income for the majority of the population; a low inflationary environment; stable currencies; and an expected reduction in illicit trade in tobacco products.

Equally important will be a stable and predictable excise tax regime that: promotes domestic value addition of local raw material (Tanzanian tobacco); and reasonable excise tax increases.
On this note, I commend the Government for the sensible way it has handled the excise tax area.

We appreciate the Government's bold initiatives to transform the economy, curb tax evasion and ensure a fair playing field. We recognize that in the short-term, these well intended measures will impact disposable income and consumer demand. However, we are quite optimistic that in the long-term, the benefits will be far greater.

Appreciation

I would like to extend my special thanks to all our employees for their dedication and hard work; to the Board of Directors for their farsighted guidance; to our customers, consumers, parent company – Japan Tobacco International, all shareholders and stakeholders for their continued support to our business.

Majd Abdou
Chairman and CEO

Ujumbe kutoka kwa Mwenyekiti

Ndugu Wanahisa,

Nina furaha kuwafahamisha utendaji wa kifedha wa biashara yetu kwa mwaka wa fedha ulioishia Desemba 31, 2016. Mtafurahi kufahamu kuwa licha ya uchumi mgumu kwa mwaka 2016 na changamoto nyingi katika soko letu la nje tulipata mafanikio mazuri kimapato kwa mwaka husika.

Mafanikio kwa mwaka

Jumla ya mauzo ilipungua kwa 5.6% katika mwaka kutokana na shinikizo la soko kwenye masoko yetu yote ya Afrika. Hasa machafuko ya kisiasa katika Jamhuri ya Kidemokrasia ya Congo (DRC) na changamoto za kiuendeshaji za hivi kariuni nchini Zambia, zimeathiri vibaya mauzo yetu ya nje yaliyopungua kwa 11.9% ikilinganishwa na mwaka 2015.

Soko la ndani limeendelea kudhoofika kutokana na ongezeko la biashara haramu, mauzo yamepungua kwa 1.8% ikilinganishwa na mwaka uliopita. Hata hivyo kupungua huku kwa mauzo kumefidiwa na upangaji mzuri wa bei na kuongeza zaidi ufanisi kwenye uendeshaji; 11.6% ya gharama za uendeshaji imepungua ikilinganishwa na mwaka 2015.

Kutokana na ufanisi huo mapato ya jumla yaliongezeka kwa 1% na kufikia Shilingi bilioni 499.5 mwaka 2016 ikilinganishwa na Shilingi bilioni 496.7 mwaka 2015; Mauzo halisi yalibaki kuwa Shilingi bilioni 301.0 mwaka 2016 ikilinganishwa na Shilingi bilioni 300.6 mwaka 2015; na faida ya jumla ilipungua kwa 4.5% hadi Shilingi bilioni 170.9 kutoka Shilingi bilioni 179.0 za mwaka uliopita.

Hata hivyo faida halisi imeongezeka kwa 4.5%. Tulipata faida halisi ya Shilingi bilioni 68.7 mwaka 2016 ikilinganishwa na Shilingi bilioni 65.7 za mwaka 2015. Ufanisi na usimamizi mzuri wa gharama za uendeshaji ulikuwa chachu ya ongezeko hili.

Gawio

Kwa kuzingatia matokeo ya biashara, Bodi ya Wakurugenzi ya TCC imependekeza gawio la mwisho la jumla la kawaida la Shilingi 200 kwa hisa (2015: Shilingi 200 kwa hisa) na gawio maalumu la jumla la Shilingi 100 kwa hisa (2015: Shilingi 100 kwa hisa). Ikiongezwa na gawio la kati la Shilingi 300 kwa hisa lililolipwa Novemba 2016, jumla ya gawio kwa mwaka uliyoishia Desemba 31, 2016 ni Shilingi 600 kwa hisa (2015: TZS 600 kwa hisa). Gawio la mwisho la jumla la kawaida na gawio maalumu litalipwa mnamo Aprili 13, 2017, baada ya kuidhinishwa na Mkutano mkuu wa mwaka wa wanahisa utakaofanyika Machi 17, 2017.

Matarajio ya baadaye

Matokeo haya yanaonesha kuwa Kampuni iko katika nafasi nzuri ya ukuaji wa baadaye, kutegemea mazingira mazuri zaidi ya uendeshaji biashara. Hususani: viwango vya juu zaidi vya ukuaji wa uchumi na mapato ya wananchi wengi; mazingira ya mfumuko wa bei mdogo; kuimarika kwa Shilingi ya Tanzania; na kupungua kwa biashara haramu ya bidhaa za tumbaku.

Muhimu zaidi pia ni ushuru wa bidhaa za ndani kua wa kutabirika na usioongezeka hivyo kuongeza thamani ya kifedha kwa malighafi za ndani (Tumbaku ya Tanzania) nchini: na ongezeko la ushuru wa bidhaa za ndani la wastani. Kutokana na hali hiyo, naipongeza Serikali kwa kushughulikia suala la ushuru wa bidhaa kwa busara zaidi.

Tunaipongeza Serikali kwa jitihada zake za makusudi za kuboresha uchumi, kupambana na ukwepaji wa kodi na kuhakikisha ushindani wa biashara wa haki. Tunatambua kuwa baada ya muda mfupi, hatua hizi zenye nia nzuri zitaleta ongezeko la mapato ya ziada na mahitaji ya walaji. Hata hivyo, tunatarajia kwamba baada ya muda mrefu, manufaa yataongezaka zaidi.

Hitimisho

Napenda kutoa shukurani zangu za dhati kwa wafanyakazi wetu kwa kufanya kazi kwa kujitoa na kwa bidii; kwa bodi ya Wakurugenzi kwa ushauri wao unaoona mbali; kwa wateja na walaji wetu pamoja na Kampuni yetu mama – Japan Tobacco International, wanaisa na wadau wengine wote kwa kuunga mkono biashara yetu.

Majd Abdou
Mwenyekiti na Mkurugenzi Mkuu

Directors and management team

Members of the board

Majd Abdou

Mr. Majd Abdou joined TCC on January 20, 2012 as Chairman of the Board. Prior to joining TCC, he was the General Manager for JTI Middle East. He brings to TCC a wealth of experience in sales, marketing and general management.

Majd has over 10 years experience in the tobacco industry. His previous positions include Sales Director for JTI Levant and Saudi-Gulf.

Olivier Chimits - Cazaux

Mr. Olivier is the Chief Financial Officer of JTI Middle East, Near East, Africa and Turkey & World Wide Duty Free Region.

He has more than 20 years' experience in the tobacco industry and a wealth of experience in logistics, integration, accounting and finance. Previously, he was the Chief Financial Officer in JTI Egypt and has held various senior finance positions within JTI. Prior to joining JTI, he worked with Serono and Burrus (Rothmans Group) in Switzerland, Sogal in France and Delmas in Senegal. He joined the Board of Directors of TCC in September 01, 2014.

Paul Makanza

Mr. Paul Makanza joined TCC in 2001 as Director of Corporate Affairs and Communications. Prior to joining TCC, he worked for PriceWaterhouseCoopers in Dar es Salaam.

Mr. Makanza has over 10 years of experience in the tobacco industry. He joined the Board of Directors of TCC in 2005.

Members of the board

Dr. Servacius Likwelile

Dr. Servacius Likwelile is the former permanent Secretary to the Treasury, Ministry of Finance and Planning.

He represents the Government of Tanzania on the Board of TCC. Dr. Likwelile joined the Board of Directors of TCC in July 2013.

He has over 25 years of academic, technical and senior level managerial experience in university, research institutions and Government.

Joshua Folkerth

Mr.Joshua Folkerth joined TCC on February 01, 2016 as Chief Financial Officer and Director of Finance. He brings Financial expertise from working in the area for JTI the last 7+ years.

Before transferring to TCC Joshua worked as CFO for Leaf Services (US) LLC in Virginia, United States. His previous positions within JTI were Leaf Finance Manager at JTI Tobacco Sdn Bhd in Kuala Lumpur, Malaysia (2011-13) and Global Leaf Financial Planning and Analysis Manager at JTI HQ in Geneva, Switzerland (2009 -11).

Prior to joining JTI he worked at PriceWaterhouseCoopers in the United States and Prague, Czech Republic, reaching the level of Audit Manager. Joshua was appointed to the TCC Board of Directors on February 23, 2016.

Olivier Blanc

Mr. Olivier Blanc is Assistant General counsel BD and operations Vice President of legal operations for the JTI Middle East, Near East, Africa ,Turkey and World Wide duty free region.

Previously, he was Assistant General Counsel Business Development and Corporate Strategy Director for the region.

He has extensive legal experience in commodity trade finance, structured finance, corporate financing, mergers and acquisitions and tax. Prior to joining JTI, he worked for BNP Paribas (Suisse) SA, Pestalozzi Lachenal Patry – Attorneys at Law - Geneva and PriceWaterHouseCoopers(PWC) SA,Zurich, Switzerland. He joined the Board of Directors of TCC in 2012.

Directors and management team

Management Team

Majd Abdou
Chairman and CEO

Frank Usiri
Director Company Services

Markus Streit
Head Marketing & Sales

Yan Sobolevsky
Director Manufacturing

Paul Makanza
Director Corporate Affairs

Moses Gunda
Director Sales

Joshua Folkerth
CFO & Director Finance

Godson Killiza
Director Legal Affairs

Awaichi Mawalla
Director Marketing

Angela Mangecha
Director Human Resources

Business review

FY 2016 vs FY 2015

Total sales volume		- 5.6% on PY
Revenue	499.5 Billion Tanzanian Shillings	+1% on PY
Net sales	301.0 Billion Tanzanian Shillings	+0.1% on PY
Gross profit	170.9 Billion Tanzanian Shillings	- 4.5% on PY
Operating expenses	72.3 Billion Tanzanian Shillings	-11.6% on PY
Profit before tax	98.6 Billion Tanzanian Shillings	+1.4% on PY
Net profit	68.7 Billion Tanzanian Shillings	+4.5% on PY

Business review

Our key commercial objectives for 2016 were to: defend market share, sustain profitability and further improve operational efficiency and effectiveness.

Despite a tight economy in which customers and consumers have had to adjust their expenditure patterns, we delivered on our objectives.

Improving product quality

To ensure only products that meet the Company's stringent quality standards reach our customers, we implemented a number of quality improvement initiatives throughout all stages of sourcing, manufacturing, storage, distribution and customer service.

We invested in new machineries and continued to increase safety and quality standards in alignment with JTI Group and regulatory standards.

Volume

Domestic volume declined by 1.8% and export volume by 11.9% versus prior year.

In the domestic market, we improved distribution, reinforced relationship with the trade, strengthened brand portfolio and increased the level of marketing activities.

However, illicit trade in tobacco products continued to undermine our domestic volume as well as Government tax revenue.

To address this problem, we engaged enforcement officials and conducted nation-wide consumer awareness campaigns. Results to date are limited due to porous borders and weak enforcement by authorities.

In export markets trading conditions were tough due to the weakening of local currencies and the political uncertainties. The decline in disposable income negatively affected demand, drove trade inventory reduction and lead to a volume drop of 11.9% vs. 2015.

Business review

Share of market

We grew our domestic market share by 1.4 pp in 2016 amidst growing competition from domestic and imported tobacco products.

To sustain and grow our market share in 2016, we substantially increased marketing investment, ensuring our commitment to satisfying the needs of adult smokers.

We further built our brands' equity through communication campaigns at point of sale, consumer activations and packs rejuvenation. We reinforced brand portfolio through line extensions. We also strengthened distribution by increasing our salesforce, redesigning routes plan and solidifying our trade relation.

Profitability

Growing our top and bottom line are key strategic imperatives. Despite a 5.6% total volume decline, we grew our net sales by 0.1% versus 2015 through pricing and our net profit by 4.5% through operational and cost efficiencies.

To protect the margin, we focused and intensified support behind our premium brand Embassy. We managed to up-trade consumer from mid-price to a more profitable brand Embassy. Consequently, Embassy volume grew 16.1% vs. previous year.

Operational efficiency and effectiveness

To improve operational and cost efficiencies, we restructured our finance department to align with our parent company's global standards for shared services with corresponding optimization headcount.

We also restructured factory operations to provide productivity growth in the cigarette making process. Continuous investment in personnel training and production processes optimization resulted in an additional overall equipment efficiency of 6.5%.

Business review

Compensation and benefits

A key part of our success lies in our ability to attract and retain highly motivated and productive employees. The Company's compensation system plays an important role in supporting this objective. It is designed to reward contributions to the company's objectives and ensure that the Company pays competitively. The Company's compensation approach is 'pay for performance'.

Managing talent

Attracting, retaining and developing the best talents is a strategic priority for the long-term success of the Company. Performance appraisal, training & development and succession planning are integral parts of our talent management.

We recognized and rewarded talents. We continued with our Long Term Award program for managers and encouraged career growth by providing the right opportunities. 94% of open senior positions in 2016 were filled by internal candidates. This is a clear example on the robust succession planning process we have in place.

In 2016, we invested close to TZS 1.0bn (TZS 2.1M per head count) in various functional and soft skills training and development programs in and outside Tanzania. We also continued to identify and grow potential candidates for future vacancies as part of our succession planning process.

Employee Relations

To ensure sustainable relations with our people, Voluntary Agreement (VA) that enhanced employees' benefits in all necessary areas, was successfully negotiated, signed in December 2015 and communicated to the employees beginning 2016.

Promoting a safe environment

We believe that effective health and safety management goes well beyond complying with legislation. Our Company's Environmental Health and Safety (EHS) standards often exceed legal requirements and our scope extends beyond our employees to cover contractors on sites and visitors to our premises.

Business review

All employees are expected to complete relevant Health and Safety training as well as comply with the Company's EHS procedures and safe working practices. Furthermore, they are required to report unsafe conditions, accidents, near misses and precarious behavior.

In 2016, we achieved an all-time record high of 1,934 days without a single work place related injury (lost time injuries). This denotes the well-entrenched safety culture at TCC.

Giving back to communities

We recognize that businesses can only prosper within open and fair societies. This is why we continuously invest into communities voluntarily and beyond our core business activities. Our aim is to improve the quality of life in communities where we operate through long term impactful programs.

Our programs are focused on three pillars: People - poverty alleviation, older persons, adult education, and people with disabilities; Arts and Culture - cultural heritage; visual and performing arts; and natural environment.

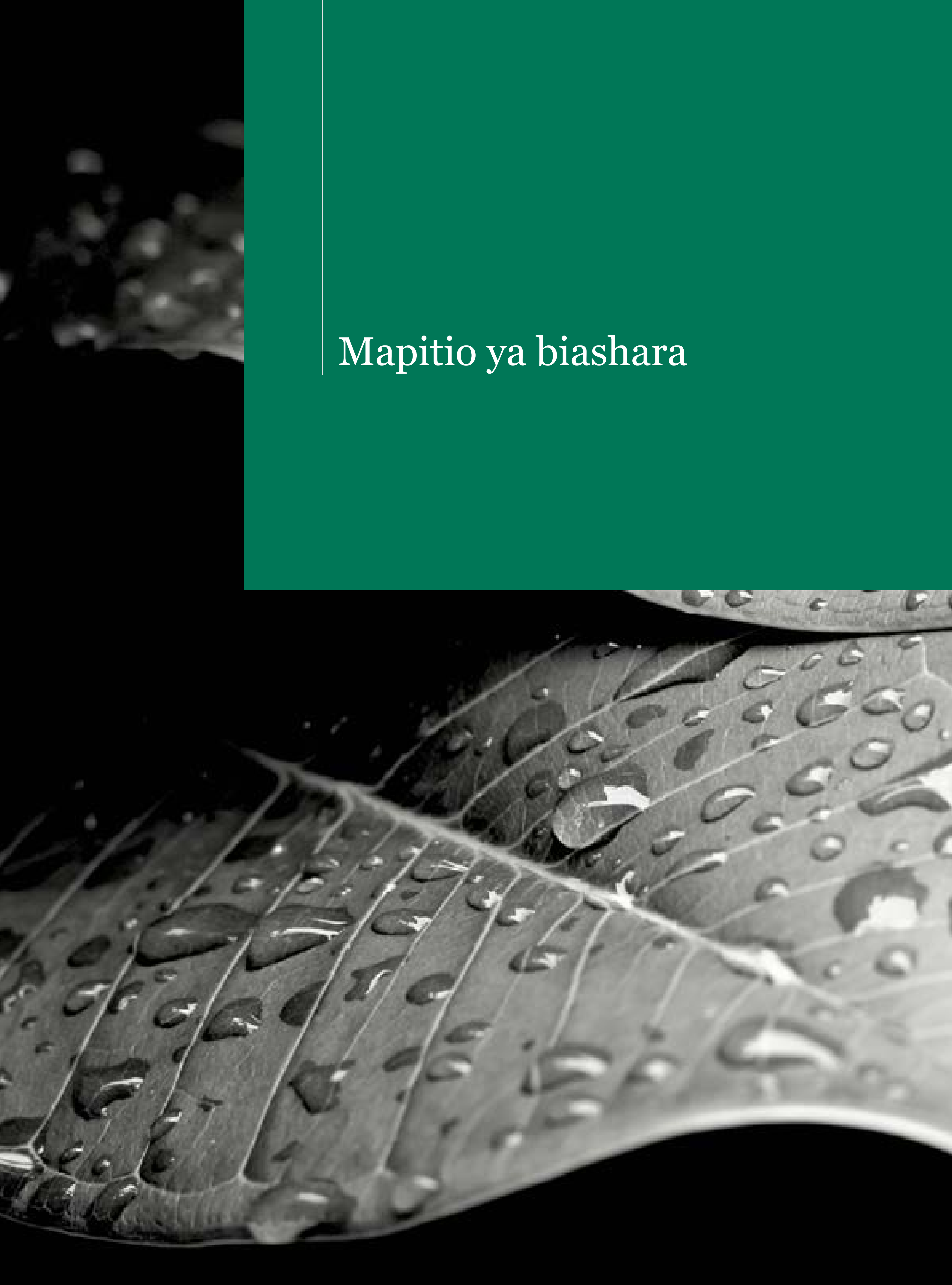
We continued to support unique local arts and culture through Vipaji Foundation; and enrolled traditional dancers in Bagamoyo College of Arts (BCA) to learn, develop and benefit from their talents.

We also empowered more than 400 women in Mwanza Region to increase their income through Fish Pond project in partnership with Non-Governmental Organizations - SIDI and EPF.

We improved the quality of life of 2,050 adult disabled people by providing them with assistive devices (wheelchairs, tri-cycles and white canes) to increase their mobility in seeking basic human needs.

More so, In the spirit of encouraging the culture of "go green" while improving our cityscape, we have added an artistic touch to Bus Rapid Transport - BRT bus stations by using recycled flip flops.

Mapitio ya biashara



2016 kulinganisha na 2015

Jumla ya mauzo		- 5.6% Punguzo
Mapato	499.5 Shilingi bilioni za kitanzania	+1% Ongezeko
Mauzo halisi	301.0 Shilingi bilioni za kitanzania	+0.1% Ongezeko
Faida ya jumla	170.9 Shilingi bilioni za kitanzania	- 4.5% Punguzo
Gharama za uendeshaji	72.3 Shilingi bilioni za kitanzania	-11.6% Punguzo
Faida kabla ya kodi	98.6 Shilingi bilioni za kitanzania	+1.4% Ongezeko
Faida halisi	68.7 Shilingi bilioni za kitanzania	+4.5% Ongezeko

Mapitio ya Biashara

Malengo yetu muhimu ya kibiashara kwa kwaka 2016 yalikuwa; kutetea mgao wetu wa soko, kudumisha na kuendeleza faida na kuzidi kuboresha ufanisi na umadhubuti wa uendeshaji.

Licha ya uchumi mgumu uliolazimisha walaji na wateja kurekebisha tabia ya matumizi yao, tulifanikiwa kutimiza malengo yetu.

Kuongeza ubora wa bidhaa

Ili kuhakikisha kwamba bidhaa zetu zinazofikia wateja wetu ni zile tu zinazotimiza masharti na viwango thabiti vya ubora, tulitekeleza mipango mingi ya kuongeza ubora katika hatua zote za upataji malighafi, utengenezaji, uhifadhi, usambazaji na huduma kwa wateja.

Tuliwekeza katika chemba mbili mpya za kukagua usafi wa majani ya tumbaku, chemba nne mpya za ufukizaji na kuidhinisha uwekezaji zaidi kupanua uwezo wetu wa kuhifadhi sigara kwa mwaka 2016. Tuliwekeza katika mitambo na mashine mpya na tuliendelea kuongeza viwango vya usalama na ubora kwa kulingana na viwango vya usimamizi vya JTI Group na viwango vya udhibiti.

Mauzo

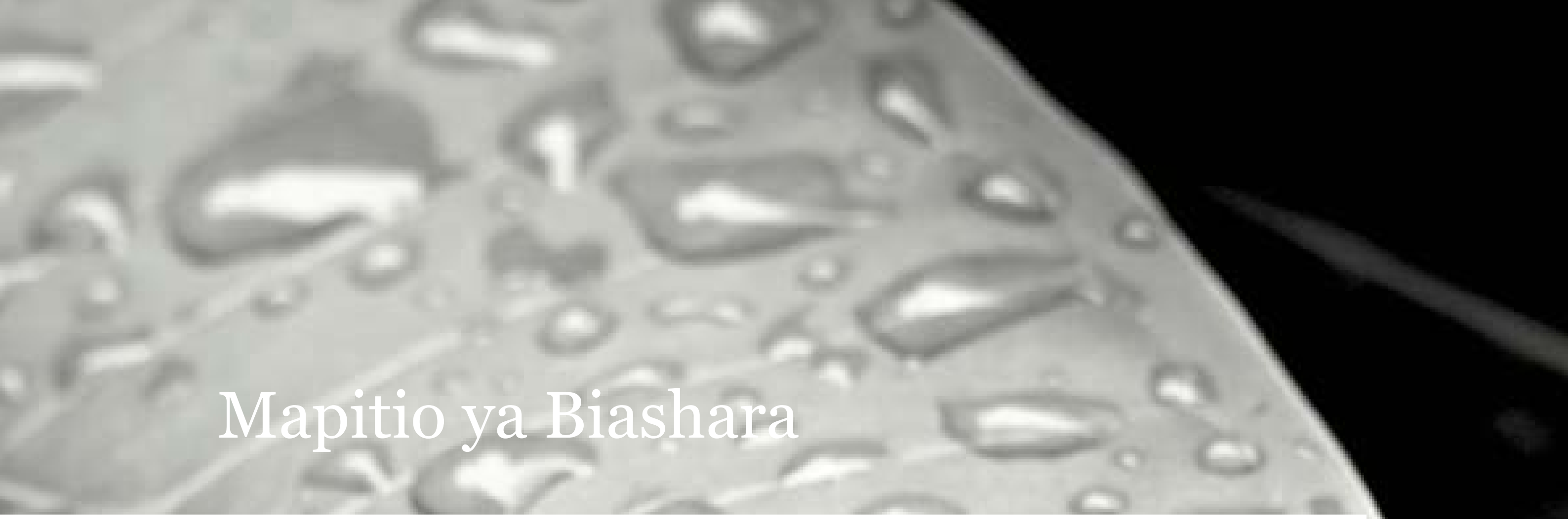
Mauzo ya ndani yamepungua kwa asilimia moja nukta nane (1.8%) na masoko ya nje kwa asilimia kumi na moja nukta tisa (11.9%) ikilinganishwa na mwaka uliopita.

Katika soko la ndani, tumeboresha usambazaji, tumeimarisha uhusiano na wadau wetu wa biashara, tumeimarisha pia aina za bidhaa zetu na kuongeza shughuli za kutafuta masoko.

Hata hivyo, biashara haramu ya bidhaa za tumbaku imeendelea kuathiri mauzo ya soko la ndani pamoja na mapato ya kodi ya Serikali.

Kukabiliana na tatizo hili, tuliwashirikisha maafisa wa utekelezaji na tumeendesha kampeni ya mawasiliano nchini kote kuwaongezea walaji utambuzi na ufahamu zaidi. Hata hivyo matokeo hadi sasa yanaendelea kuwa madogo kutokana na mipaka ya nchi inayopitisha bidhaa za magendo na udhaifu katika udhibiti mipakani.

Katika soko la nje, hali ya biashara imekuwa ngumu kutokana na kuzidi kupungua kwa thamani ya fedha za ndani na migogoro ya kisiasa. Kupungua kwa mapato ya ziada kwa wananchi wengi kumeathiri mahitaji, kumesababisha kupungua kwa mwenendo wa biashara na kusababisha kupungua kwa mauzo ya nje kwa asilimia kumi na moja nukta tisa (11.9%) ikilinganishwa na mwaka 2016.



Mapitio ya Biashara

Hisa ya soko

Tuliongeza hisa ya soko la ndani kwa asilimia moja nukta nne (1.4%) kwa mwaka 2016 licha ya ushindani mkubwa wa bidhaa za tumbaku za ndani na za nchi za nje.

Ili kudumisha na kukuza hisa yetu ya soko mwaka 2016, tumeongeza kwa kiasi kikubwa uwekezaji katika utafutaji masoko, kuendeleza dhamira yetu ya kuwaridhisha na kutosheleza mahitaji ya wavutaji watu wazima.

Vilevile tumekuza usawa wa bidhaa zetu kupitia kampeni za matangazo katika sehemu za mauzo, uhamasishaji wa walaji, na ubadilishaji mwonekano wa pakiti za bidhaa zetu. Tumeimarisha aina ya bidhaa zetu kwa kuongeza kikosi cha mauzo. Pia tumeimarisha usambazaji kwa kuongeza idadi ya wauzaji, kupanga upya maeneo ya kusambaza na kuimarisha uhusiano na wadau wetu wa mauzo.

Faida

Kukuza malengo yetu ya upataji faida ni masharti muhimu ya kimkakati . Licha ya kupungua kwa jumla ya mauzo kwa asilimia tano nukta sita (5.6%), tuliongeza mauzo yetu halisi kwa asilimia sifuri nukta moja (0.1%) ikilinganishwa na mwaka 2015 kulikotokana na upangaji mzuri wa bei na faida halisi kwa asilimia nne nukta tano (4.5%) kutokana na ufanisi wa uendeshaji na bei.

Ili kulinda faida yetu, tulilenga na kuzidisha nguvu kwenye bidhaa yetu ya Embassy. Tumeweza kuwatoa wavutaji wetu kutoka kwenye sigara zenye faida ndogo kwenda kwenye sigara zenye faida kubwa, hivyo kupelekea mauzo ya Embassy kuongezeka kwa asilimia kumi na sita nukta moja (16.1%) ikilinganishwa na mwaka uliopita.

Kuboresha ufanisi na umadhubuti wa uendeshaji

Kuboresha uendeshaji wa shughuli na upunguzaji wa gharama, tuliboresha mpangilio wa idara yetu ya fedha kuendana na viwango vya kimataifa vya kampuni yetu mama kwa huduma shirikishi na kutumia vizuri zaidi idadi ya wafanyakazi.

Pia tulirekebisha shughuli za kiwandani kwa kuongeza tija katika mchakato wa uzalishaji sigara. Kuongeza uwekezaji kwenye mafunzo ya wafanyakazi, michakato ya uzalishaji kumesababisha kuongezeka kwa ufanisi wa vifaa kwa asilimia sita nukta tano (6.5%).

Mapitio ya Biashara

Fidia na mafao

Sehemu muhimu ya mafanikio yetu ipo kwenye uwezo wetu wa kuwashawishi na kuwabakisha kazini wafanyakazi waliomotishwa na wenye tija. Mfumo wa fidia wa kampuni unatoa michango muhimu katika kusaidia lengo hili. Mfumo huo umekusudiwa kulipa michango kwa malengo ya Kampuni na kuhakikisha kuwa Kampuni inalipa kiushindani. Mbinu ya fidia ya Kampuni ni kulipa kutokana na utendaji.

Kusimamia vipaji

Kuvutia, kubakisha kwenye ajira na kuendeleza vipaji bora zaidi ni kipaumbele cha kimkakati kimoja kilicho muhimu kabisa kwa mafanikio ya muda mrefu ya Kampuni. Upimaji wa utendaji wa mfanyakazi, mafunzo na maendeleo, na mpango wa kurithishana kazi kujiandaa kuziba nafasi ni sehemu muhimu za kusimamia vipaji vyetu.

Tulitambua na kutuza vipaji. Tuliendelea na program ya Tuzo ya Muda Mrefu kwa mameneja na kuhimiza ukuaji katika kazi kwa kutoa fursa sahihi. Asilimia tisini na nne (94%) ya nafasi za kazi za waandamizi zilizokuwa wazi mwaka 2016, zilijazwa na wafanyakazi wa ndani. Huu ni mfano dhahiri wa mchakato mzuri wa kurithishana kazi tulionao.

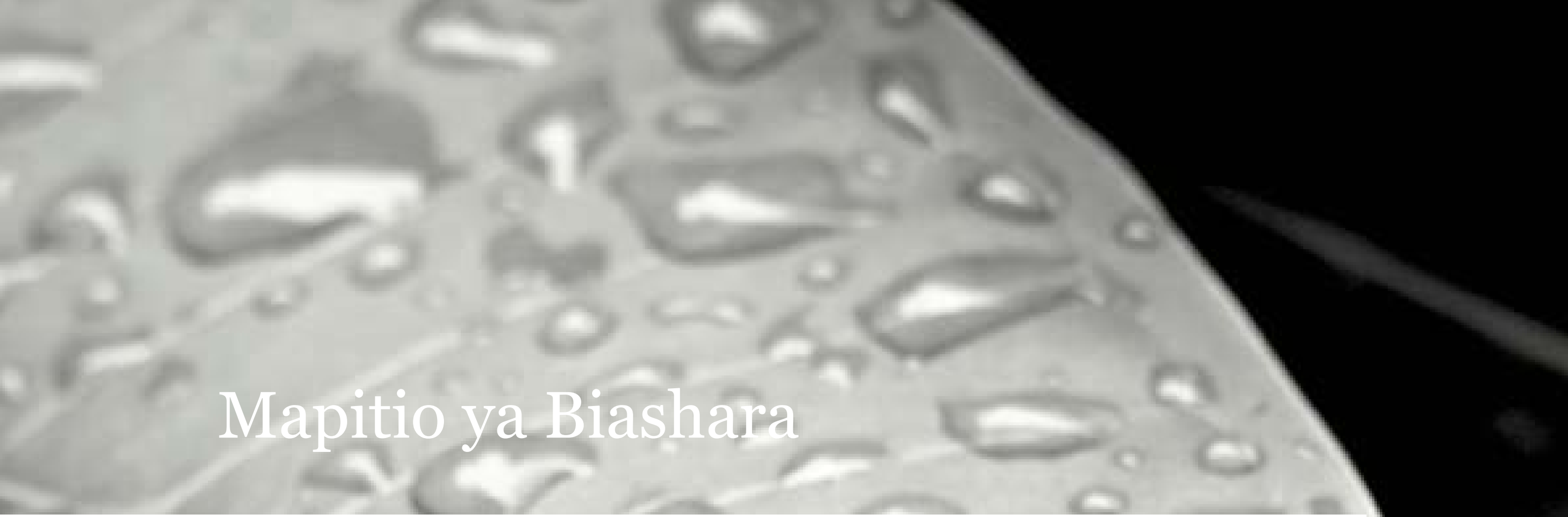
Mwaka 2016, tuliwekeza takribani Shilingi 1.0 bilioni (Shilingi 2.1 milioni kwa kila mfanyakazi) katika mafunzo ya stadi za kazi na stadi ndogondogo na program za maendeleo ndani na nje ya Tanzania. Pia tulibainisha wafanyakazi wenye uwezo wa kushika nafasi mbalimbali kama sehemu ya mpango wetu wa kuandaa wafanyakazi kukuzwa kikazi na kupata nafasi nyingine kazini.

Uhusiano wa wafanyakazi

Kuhakikisha uhusiano endelevu na wafanyakazi wetu, mkataba wa hiari (VA) uliyoimarisha mafao ya wafanyakazi katika maeneo yote muhimu, uliweza kujadiliwa na kusainiwa mwezi Desemba, 2015. Wafanyakazai walifahamishwa mwanzoni mwa mwaka 2016.

Kuhimiza mazingira salama

Tunaamini kwamba uzingatiaji wa afya na usalama ni zaidi ya kufuata na kutimiza sheria. Viwango vya Mazingira, Afya na Usalama vya kampuni yetu, mara nyingi vinazidi masharti ya kisheria na hatujali usalama wa wafanyakazi tu bali hata wa makandarasi na wageni wetu.



Mapitio ya Biashara

Wafanyakazi wote wanatarajiwa kukamilisha mafunzo ya Mazingira, Afya na Usalama yanayoenda pamoja na kufuata taratibu na desturi za kufanya kazi kwa usalama za Mazingira, Afya na Usalama za kampuni. Vilevile, wanatakiwa kutoa taarifa za hali zisizokuwa salama, ajali, matukio ya nusura ya ajali na tabia isiyokuwa salama.

Mwaka 2016, tumefikia rekodi ya juu ya kufanyakazi siku 1,934 bila hata ajali moja iliyotokea mahali pa kazi (muda uliyopotea kwa ajali). Hii inamaanisha kuwa usalama ni utamaduni uliyojengeka vizuri ndani ya TCC.

Kurudisha fadhila kwa jamii

Tunatambua kuwa biashara inaweza kustawi tu kwenye jamii yenye uwazi na bila ya upendeleo. Ndiyo maana tunazidi kuwekeza mfululizo kwa jamii na kwa hiari, na nje kabisa ya shughuli za biashara zetu za msingi. Lengo letu ni kuboresha maisha na ustawi wa jamii tunakoendesha shughuliu zetu kwa kufanya programu za muda mrefu zenye matokeo bora.

Programu zetu ziko katika mihimili mitatu, watu – upunguzaji umaskini, wazee, elimu ya watu wazima, watu wenye ulemavu, sanaa na utamaduni – urithi wa utamaduni, sanaa na sanaa za maenesho na mazingira ya asili.

Tumeendelea Kusaidia sanaa za pekee za wasanii wa Tanzania na utamaduni kupitia Vipaji Foundation, tuliandikisha wacheza ngoma za asili katika chuo cha sanaa cha Bagamoyo (BCA), hujifunza, kukuza na kunufaika kutokana na vipaji vyao. Pia tumewawezesha wanawake 400 katika mkoa wa Mwanza kuongeza kipato chao kupitia mradi wa ufugaji samaki (Fish Pond Project) kwa kushirikiana na mashirika yasiyo ya kiserikali ya SIDI na EPF.

Tuliboresha maisha ya watu wazima wenye ulemavu 2,050 kwa kuwapatia vifaa saidizi (viti vya magurudumu, baiskeli ya magurudumu matatu na fimbo nyeupe za kuongozea wasioona) ili kuongeza uwezo wao wa kutoka sehemu moja hadi nyingine kutafuta mahitaji yao ya msingi.

Zaidi ya hayo katika moyo wa kuhimiza utamaduni wa kutunza mazingira wakati huo huo tunaboresha na kupendezesha mandhari ya jiji letu, tuliongeza sanaa kwenye vituo vya mabasi ya mwendo kasi (BRT) kwa kuweka mguso wa kisanaa kwa kutumia kandambili zilizoorejelezwa.


JUNGHEINRICH


F 1024

Tanzania Cigarette Company Limited Reports and Audited Financial Statements 2016

Corporate Information

Directors and advisers:

Directors

Mr. Majd Abdou (Chairman and CEO)
Dr. Servacius Likwelile*
Mr. Olivier Blanc*
Mr. Olivier Chimits Cazaux*
Mr. Paul Makanza
Mr. Joshua Folkerth

** Non-executive Directors*

Principal bankers

Standard Chartered Bank Tanzania Ltd.
CRDB Bank Plc.
National Bank of Commerce Ltd.
National Microfinance Bank Plc.
Citibank Tanzania Ltd.
Barclays Bank Tanzania Ltd.

Shareholding structure:

Shareholder	*Holding***
JT International Holding B. V.	75.0%
Kingsway Fund	9.3%
General public	7.0%
Parastatal Pension Fund	3.0%
United Republic of Tanzania	2.2%
Public Service Pension Fund	1.0%
The Local Authorities Provident Fund	0.6%
Neon Liberty Emerging Markets Fund LP	0.6%
Cavenham Private Equity And Directs	0.5%
Government Employees Provident Fund	0.5%
Trustees of the TCC Employees Share Option Scheme	0.3%
Total	**100%**

Shareholder classification	*Holding***
Local	14.60%
Foreign	85.40%
Total	**100.00%**

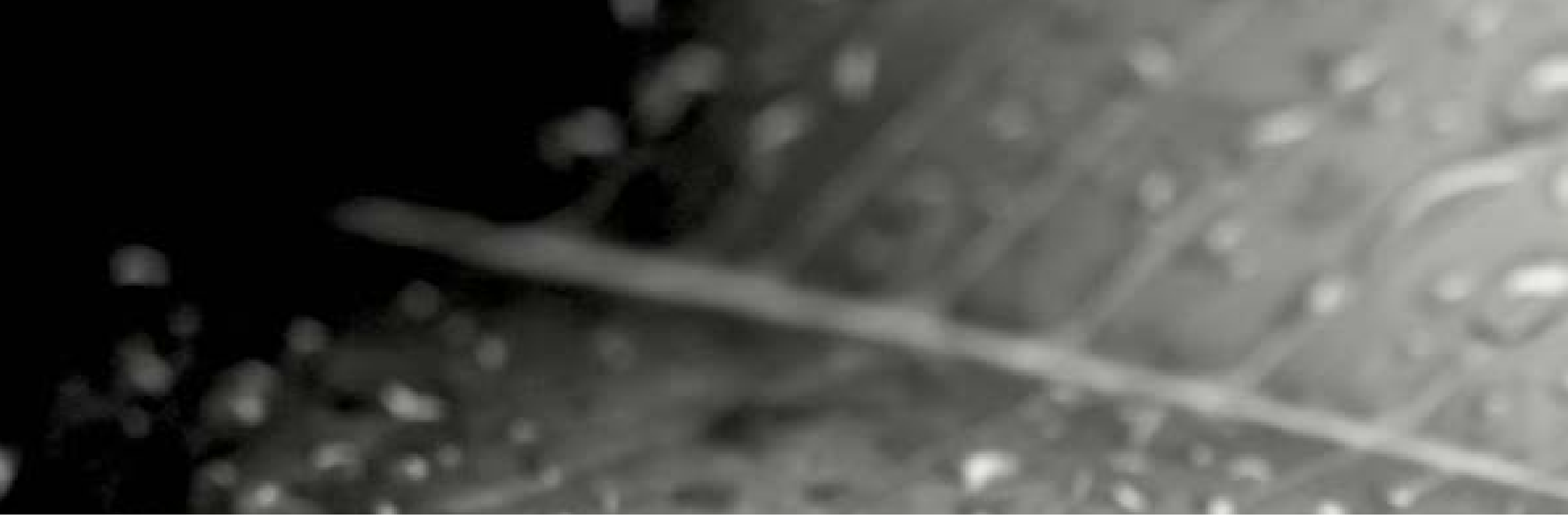
**Based on share register as at 31 December 2016

Secretary, registered office
and principle place of business

Mr. Godson Killiza
20 Nyerere Road
P.O. Box 40114
Dar es Salaam
Tel: +255 22 216 6000/1

Auditors

Deloitte & Touche
Certified Public Accountants (Tanzania)
10th Floor, PPF Tower
Corner of Ohio Street & Garden Avenue
P.O. Box 1559, Dar es Salaam



Report of the Directors

for the year ended 31 December 2016

The Directors present their annual report and the audited financial statements of Tanzania Cigarette Company Limited (the "Company") for the year ended December 31, 2016; which disclose the Company's state of affairs.

Incorporation

The Company was incorporated in 1965 under the Companies Ordinance, Cap 212 which was repealed by the Companies Act, 2002 with registration number 3542 and is listed on the Dar es Salaam Stock Exchange (DSE). The Company is located at plot number 20 Nyerere Road, Dar es Salaam.

Vision, mission and values

Our vision is to be the most responsible Company in East Africa.
Our mission is to grow volume while defending our market share, by delivering quality brands,maximizing consumer and customer satisfaction through innovation, engaged employees, integrity and excellence in execution.

Our core values are:

Enterprising: We have the courage to do things differently. We work together to achieve our long-term goal. This leads to new ideas resulting in fresh perspectives and innovation. This is fuelled by our creative energy and agile minds;

Open: We believe in openness and transparency in everything we do. Diverse cultures inspire us, knowledge informs us and integrity guides us. This means making the right decisions, earning us the reputation as the trusted voice of authority within our industry; and

Challenging: We strive for continuous improvement. This means embedding quality into everything we do and never accepting second best. We set the standards that become benchmarks for the entire industry. This enables us to challenge the status quo and be ahead of the market - a leader not a follower.

Principal activities

The Company's principal activities are the manufacturing, distribution, marketing and sale of cigarettes inside and outside Tanzania. Domestic brands include: Embassy; Portsman; Sweet Menthol; Safari; Club and Crescent & Star. The Company also manufactures, distributes, markets and sells in the domestic market the international brands: Camel, Winston and LD.

Report of the Directors
for the year ended 31 December 2016 (continued)

Capital structure and shareholders

The Company's capital structure is as follows:

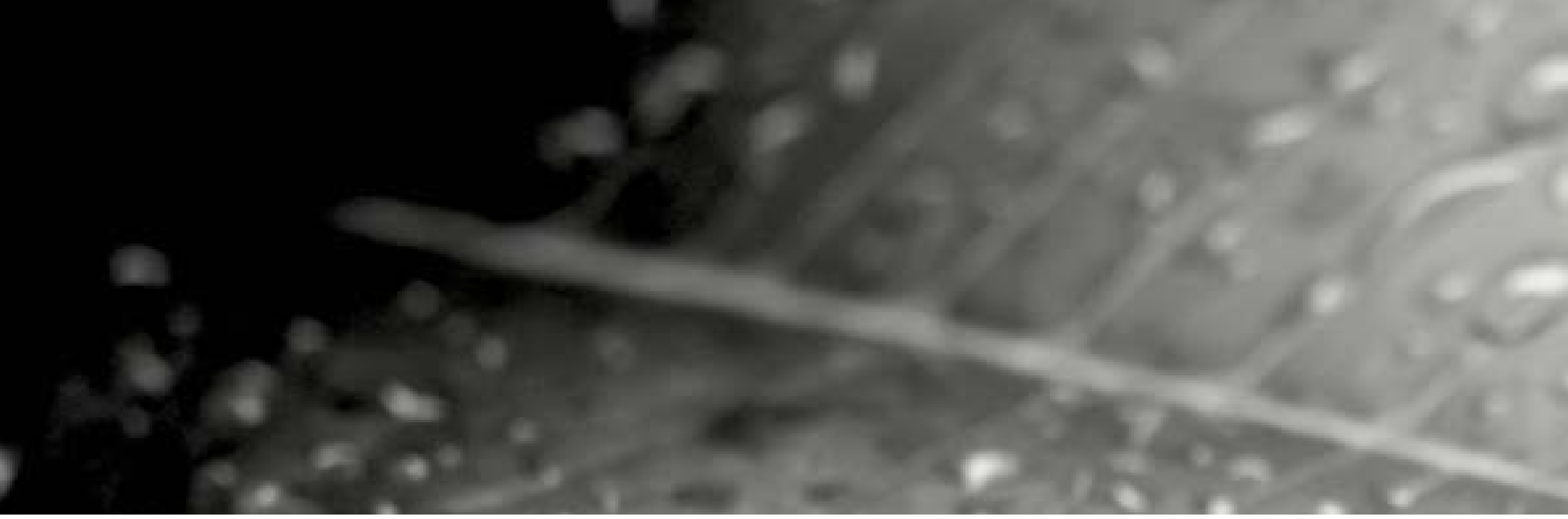
		2016 TZS M	2015 TZS M
Authorised (Ordinary shares)	125,000,000 Ordinary shares of TZS 20 each	2,500	2,500
Issued and fully paid up (Ordinary shares)	100,000,000 Ordinary shares of TZS 20 each	2,000	2,000

The Company's shareholding structure as at 31 December 2016 is shown in page 45.

JT International Holding by the majority shareholder in the Company, owning 75% of the issued and paid up ordinary shares (75 million shares). Local institutions, the general public and other foreign investors own the remaining 25% (25 million shares).
The Directors of the Company do not hold any material interest in the issued share capital of the Company.

Stakeholders' relations

The Company enjoys positive relations with its key stakeholders – suppliers; customers and consumers; shareholders; current and potential employees; Government and regulators; and the wider society. It continually seeks to balance the interests of its stakeholders and exceed their expectations.



Report of the Directors
for the year ended 31 December 2016 (continued)

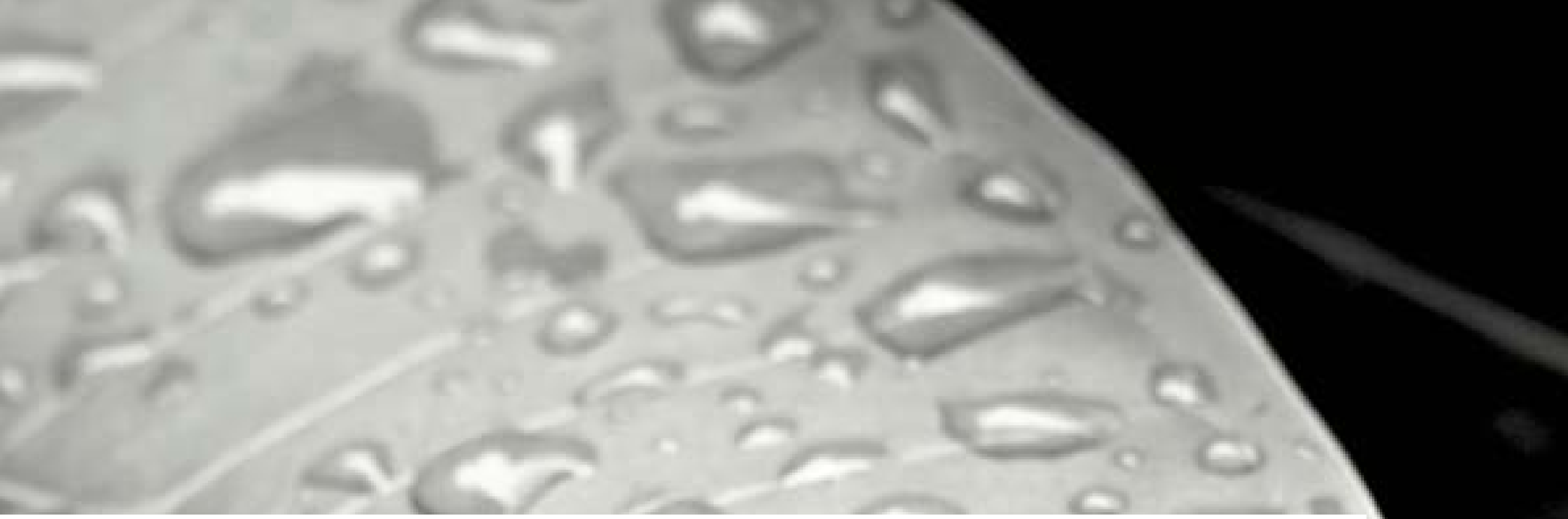
Corporate governance

Board of Directors

The Company is governed by a Board of Directors consisting of members with diverse international and local industry experience, functional expertise and educational background. The Board is made up of three Executive Directors and three Non-Executive Directors and is headed by a Chairman. The Board is supported by a Company Secretary. During the year, one Executive Member resigned. The Board meets four times a year to conduct its affairs.

Key responsibilities of the Board include: identifying and mitigating risks; ensuring effective policies, procedures and internal controls are in place; ensuring compliance with sound corporate governance principles; approving and monitoring investment as well as other significant business decisions; and reviewing the performance of management business plans and budgets. Details of the members of the Board of Directors who served during the year under review are set out below.

Name	Position	Qualification	Nationality	Age	Appointed/ Resigned	Date Appointed/ Resigned
Majd Abdou	Chairman & CEO	Masters in Finance, B.Sc. Mathematics	Canadian	51	Appointed	20 January 2012
Olivier Blanc	Director (Non-executive)	Law Degree, LLM, Bar	Swiss	41	Appointed	27 June 2012
Olivier Chimits Cazaux	Director (Non-executive)	BA Bordeaux Management School	French	53	Appointed	1 September 2014
Paul Makanza	Director (Executive)	B.Com, MBA	Tanzanian	49	Appointed	4 January 2005
Joshua Folkerth	Director (Executive)	Masters in Accounting, Certified Public Accountant	American	38	Appointed	23 February 2016
Christo Kruger	Director (Executive)	CA (South Africa)	South African	47	Resigned	30 January 2016



Report of the Directors
for the year ended 31 December 2016 (continued)

Corporate governance (continued)

Management team

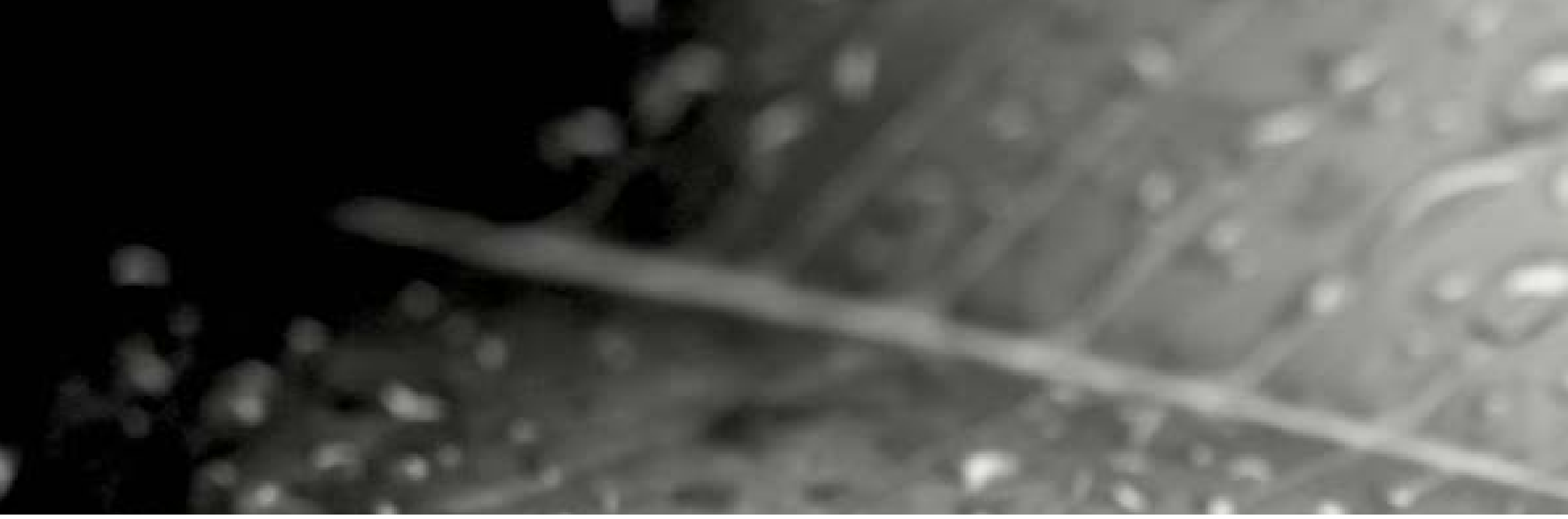
Management is responsible for day to day running of the business under the direction and supervision of the Chief Executive Officer (CEO). The CEO is supported by a highly qualified and experienced Executive Management Team of seven (7) who are Heads of Departments (HODs).

HODs report to the CEO, with the exception of HOD Manufacturing. In addition, all HODs have dotted reporting lines to their Regional Functional Heads at Weybridge, UK or Geneva, Switzerland. Details of the Senior Management team are provided below.

Department	**Head of department**	**Qualification**	**Nationality**
Chief Executive Officer	Majd Abdou	Masters in Finance, B.Sc. Mathematics	Canadian
Manufacturing	Yan Sobolevsky	Computer Technology Engineer	Ukrainian
Marketing & Sales	Markus Streit	BA Biology; MBA	Swiss
Finance and IT	Joshua Folkerth	Masters in Accounting; Certified Public Accountant	American
Human Resource	Angela Mangecha	BA in Human Resources; MBA	Tanzanian
Legal Affairs	Godson Killiza	LLB	Tanzanian
Corporate Affairs	Paul Makanza	B.Com; MBA in Finance	Tanzanian
Company Services	Frank Usiri	BA Civil Eng; MA Civil Eng.	Tanzanian

Key policies and procedures

The Company has in place a Code of Conduct - the JTI Code of Conduct (CoC), Operating Guidelines (OGL) and Policies and Procedures to guide its business operation. All employees are required to comply with these principle policy guidelines. Non-compliance is a serious offence and could result in disciplinary measures or termination of employment.



Report of the Directors
for the year ended 31 December 2016 (continued)

Corporate governance (continued)

Key policies and procedures (continued)

The JTI CoC sets out ethical business conduct and behaviors expected of all employees in the course of conducting business. Employees can also raise concerns on suspected violation of the CoC through their supervisors or anonymously via a Reporting Concern Mechanism (RCM).

The Company's Operating Guidelines - JTI Operating Guidelines (JTI OGL) - form an integral part of the Company's internal control structure and corporate governance framework. They reflect the delegation of decision-making authority from the parent company, JTI, to the Company and the approvals required for various business decisions

Key policies and procedures found in the JTI CoC and JTI OGL include:

Equal opportunity employer: The Company is an equal opportunity employer. It does not discriminate on the basis of gender, religion or disability. All current and potential employees are entitled to equal opportunity and treatment in terms of recruitment; compensation and benefit; succession planning; performance appraisal and reward; and disciplinary hearing;

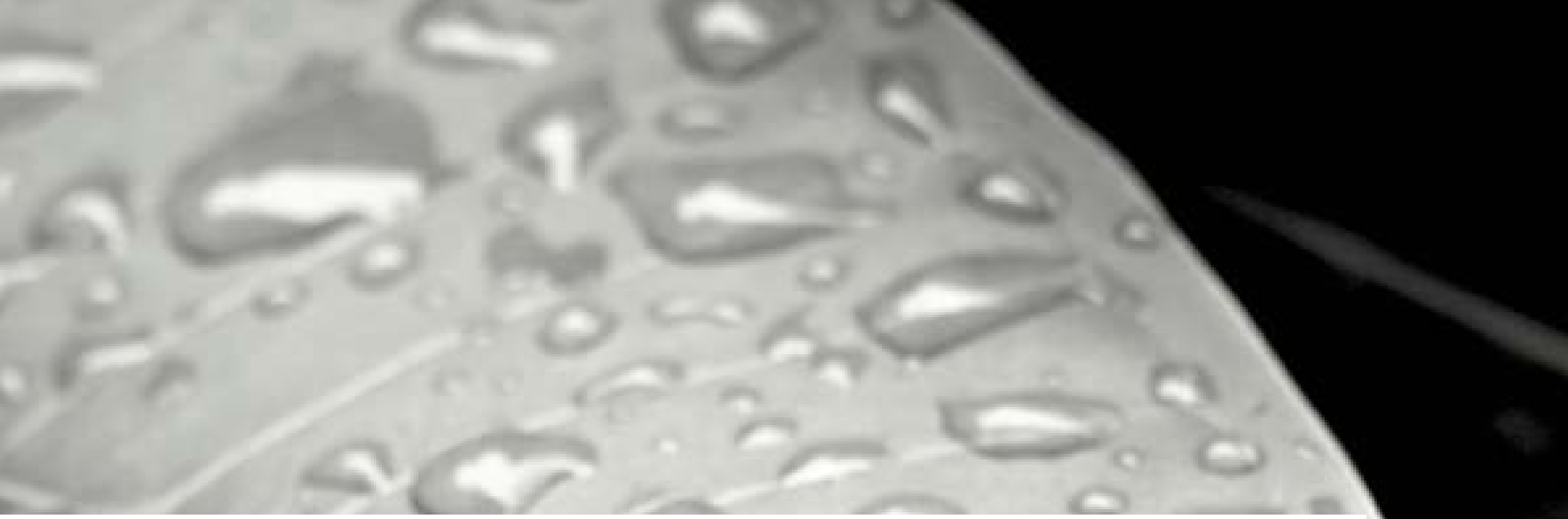
Environmental Health and Safety (EHS): The Company manages its environmental impact and promotes continuous improvements through its EHS policy, standards, procedures, guidance, training and management tools. All employees are required to: comply with the Company's Health and Safety standards; complete relevant Health and Safety training; comply with the Company's procedures and safe working practices; and report unsafe conditions, accidents, near accidents and unsafe behavior;

Know Your Supplier (KYS): Suppliers are selected objectively and impartially, based on various criteria that include integrity; quality; performance; commercial terms; and commitment to safety and environmental protection. All key suppliers are formally certified to ensure they meet the Company's Supplier Standards;

Product quality: Only products that meet the Company's stringent quality standards reach the Company's customers. The Company manufactures products with stringent specifications using consistently high quality supplies of tobacco and non-tobacco material from certified suppliers. Quality is assured throughout all stages of sourcing, manufacturing, storage, distribution and customer service, in full compliance with regulatory and legal requirements;

Know Your Customer (KYC): The Company rigorously vets all its customers periodically, to ensure it does business with legitimate and law abiding customers only;

Responsible marketing: The Company is committed to marketing its products responsibly. It complies with all national laws and regulations and implements the Global Marketing Standards that govern the marketing of its products.



Report of the Directors
for the year ended 31 December 2016 (continued)

Corporate governance (continued)

Key policies and procedures (continued)

Responsible marketing (continue): If a conflict exists between the Global Marketing Standards and applicable local laws in terms of restrictions, the more restrictive standard is applied. The Company believes that: minors should not smoke and should not be able to obtain tobacco products; and adult smokers should be appropriately informed about the health risks of smoking before they make the decision to smoke;

Anti-corruption: The Company does not tolerate any form of bribery or corruption. Business partners are expected to comply fully with the Company's position on anti-corruption as a condition for doing business. The Company prohibits the provision of money, gifts, entertainment or anything of value to any government or public official for the purpose of obtaining a business advantage. The Company does not permit facilitation payments or fees requested by government officials to facilitate the performance of routine government actions.

Risk management and internal controls

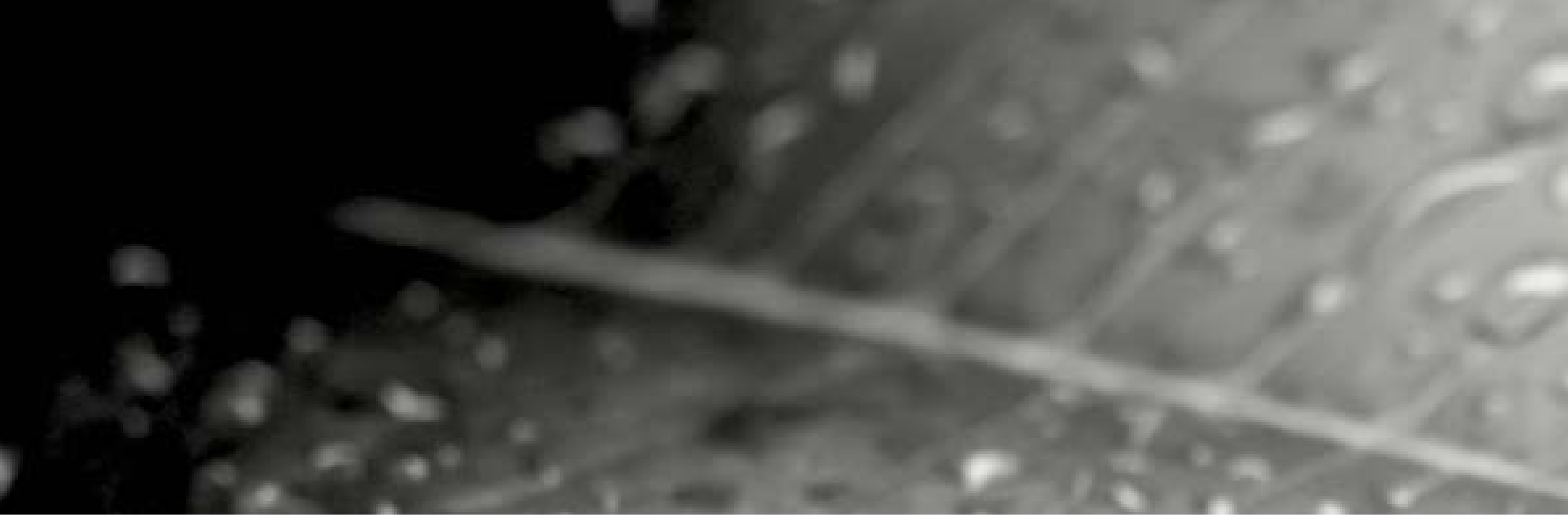
Failure to comply with the JTI Code of Conduct, Operating Guidelines, or Policies and Procedures could result in fraud, operational and financial risks which would negatively impact the business and its reputation. Risk mitigation measures in place include:

Strict enforcement of the JTI Code of Conduct, Operating Guidelines and Policies and Procedures described above: The Chief Compliance Officer, who is also the Head of the Legal Function, is the custodian of policies and procedures and is responsible for enforcement assisted by respective Functional Heads. All employees are required to sign a declaration that they have read, understood and will abide with the Code of Conduct.

Internal audit: There is an Internal Audit Department which reports to the Chairman of the Board. The Chairman approves its charter; annual audit plan; monitors execution of audits; evaluates audit findings, recommendations and implementation of recommendations by Management.

Management is responsible for developing, managing, and improving internal financial and operational control systems. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's internal control systems are designed to provide the Board with reasonable assurance that the procedures in place are effective.

Ultimate responsibility for managing risks and ensuring appropriate and effective internal control systems are in place lies with the Board. The Board assessed the internal control systems throughout the financial year ended December 31, 2016 and is of the opinion that they met accepted criteria.



Report of the Directors
for the year ended 31 December 2016 (continued)

Employee welfare

Employee relations

As at December 31, 2016, the Company had 462 employees. Female employees constituted 19% of the total workforce.

Gender	2016	2015
Male	372	379
Female	90	96
	462	475

To ensure sustainable relations with our people, Voluntary Agreement (VA) that enhanced employees benefits in all necessary areas, was successfully negotiated and signed at the end of December 2015 and communicated to the employees in the first quarter 2016.

Managing talent

Attracting, retaining and developing the best talents is a strategic priority for the long-term success of the Company. Performance appraisal, training & development and succession planning are integral parts of our talent management.

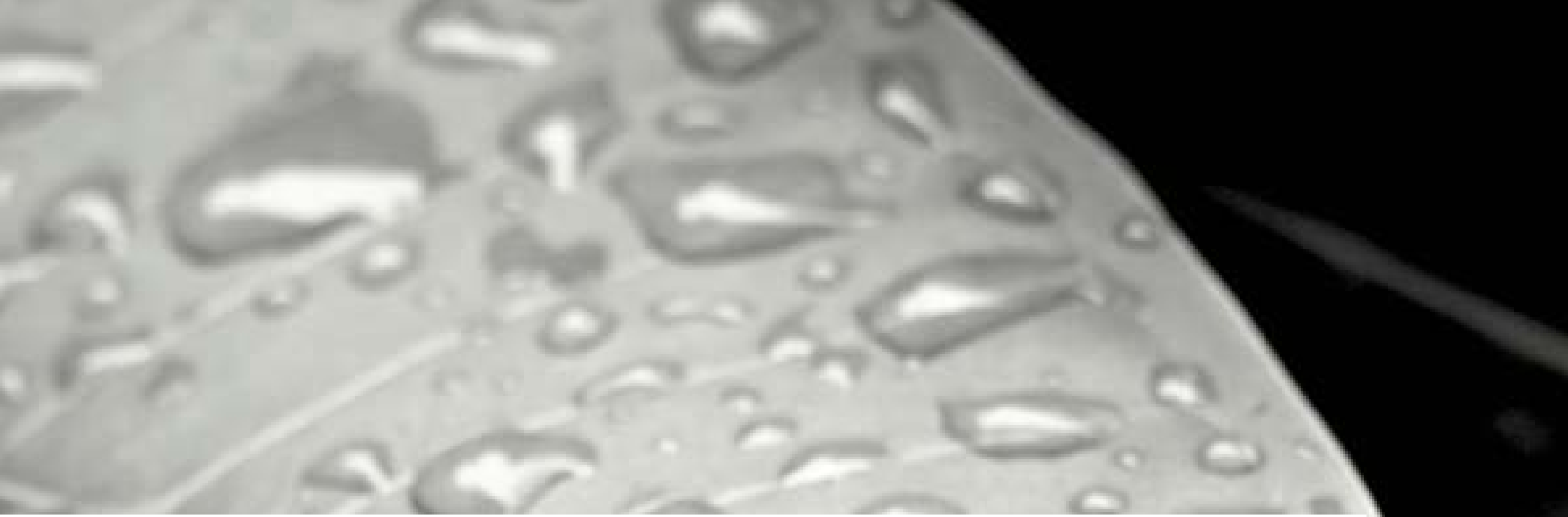
The Company recognized and rewarded talents. The Company continued with its Long Term Award program for managers and encouraged career growth by providing the right opportunities. 94% of open senior positions were in 2016 were filled by internal candidates. This shows a robust succession planning process in place.

In 2016, the Company invested close to TZS 1.0bn in various functional and soft skills training and development programs inside and outside Tanzania. (TZS 1.6m per employee) Potential candidates were identified internally for future vacancies as part of the succession planning process.

Compensation and benefits

A key part of the Company's success lies in its ability to attract and retain highly motivated and productive employees. The Company's compensation system plays an important role in supporting this objective. It is designed to reward contributions to the company's objectives and ensure that the Company pays competitively. The Company's compensation approach is 'pay for performance'.

The Company's employees also enjoy a number of benefits. These include: group life assurance; annual medical checkups; a medical insurance scheme for employees and up to five dependents; and a wellness program against preventable diseases.



Report of the Directors
for the year ended 31 December 2016 (continued)

Employee welfare (continued)

Compensation and benefits (continued)

In addition to statutory pension contributions, all employees are entitled to a defined benefit plan upon retirement; legal services paid by the Company in preparing wills to safeguard their families in the unfortunate event of death while in employment; and access to concessionary loans through the employees Savings and Credit Co-operative Society - Mkombozi SACCOS.

Persons with disabilities

Employees are entitled to equal opportunities and equal treatment. Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and appropriate training is arranged. It is the policy of the Company that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Promoting a safe environment

Effective health and safety management goes well beyond complying with legislation. The Company's Environmental Health and Safety (EHS) standards often exceed legal requirements and the scope extends beyond employees to cover contractors and visitors to the operations.

All employees are expected to complete relevant Health and Safety training as well as comply with the Company's EHS procedures and safe working practices. Furthermore, they are required to report unsafe conditions, accidents, near accidents and unsafe behavior.

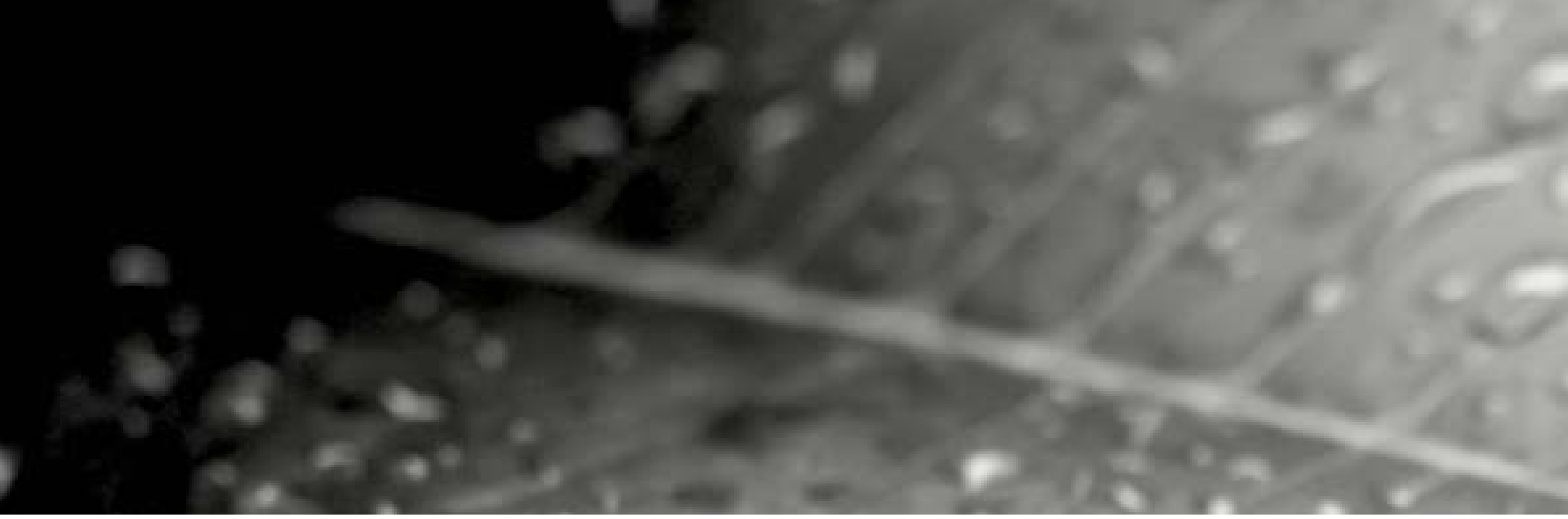
In 2016, the Company achieved a record 1,934 days without a single work place related injury (lost time injuries). This signifies that safety is a well-entrenched culture at the Company.

Political and charitable donations

As a matter of policy, the Company does not make political contributions.

Giving back to communities

Businesses can only prosper within open and fair societies. This is why the Company continuously invests into communities voluntarily and beyond the core business activities. The aim is to improve the quality of life in communities where the Company operates through long term impactful programs.



Report of the Directors
for the year ended 31 December 2016 (continued)

Political and charitable donations (continued)

Giving back to communitie (continued)

The programs are focused on three pillars: People - poverty alleviation, older persons, adult education, and people with disabilities; Arts and Culture - cultural heritage; visual and performing arts; and natural environment. The Company continued to support unique local arts and culture through Vipaji Foundation; and enrolled traditional dancers in Bagamoyo College of Arts (BCA) to learn to develop and benefit from their talent. It also empowered more than 400 women in Mwanza Region to increase their income through Fish Pond project in partnership with Non-Governmental Organizations - SIDI and EPF.

The Company also improved the quality of life of 2050 adult disabled people by increasing their mobility in seeking basic human needs through economic and social activities by providing with assistive devices i.e. wheelchairs, tri-cycles and white canes. In the spirit of encouraging the culture of recycling the Company has added an artistic touch to Bus Rapid Transport - BRT bus stations by using recycled flip flops to make usable art hence beautifying Dar es Salaam.

Principal risks and uncertainties

The Company values risk management as an integral part of business operations. Risk is assessed as part of both strategic and operational decision making. The principal risks that may significantly affect the Company's strategies and development are mainly fraud, operational and financial risks. Below we provide a description of the fraud, operational and financial risks facing the Company:

Fraud risk

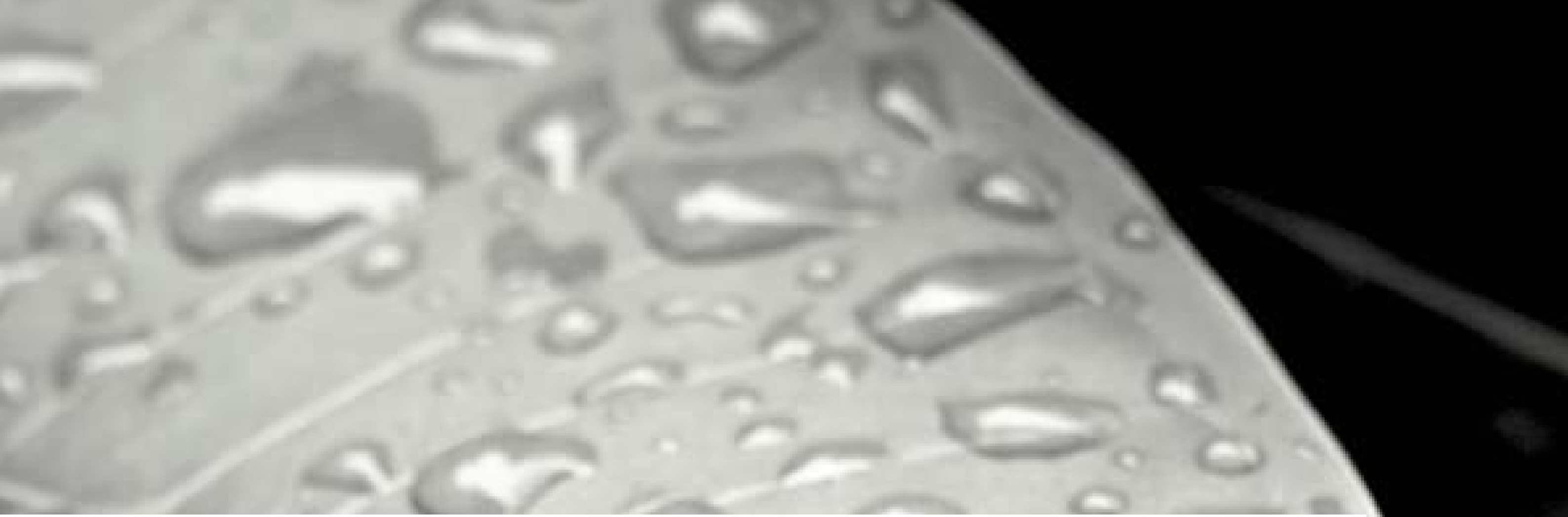
The Company could incur losses resulting from fraudulent transactions, but it has formalized Anti-Money Laundering (AML), Know Your Customer (KYC) and Know Your Supplier (KYS) policies that are designed, implemented and strictly followed and controlled by the Chief Compliance Officer to mitigate these risk areas.

Operational risk

This is a risk resulting from the Company's activities not being conducted in accordance with formally recognized procedures including non-compliance with KYC, KYS and AML procedures. Management ensures that the Company complies with all internal procedures.

Financial risk

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. More details of the financial risks facing the Company are provided in Note 27 to the financial statements.



Report of the Directors
for the year ended 31 December 2016 (continued)

Stock exchange information

In 2000, the Company was listed on the Dar es Salaam Stock Exchange at an initial public offering (IPO) price of TZS 410 per share. The performance of the Company's shares in the secondary market as measured by market capitalization as at 31 December 2016 was TZS 1,150 billion (2015: TZS 1,595 billion).

Related party transactions and balances

All related party transactions and balances are disclosed in note 21 to these financial statements.

Performance for the year

Despite a challenging operating environment, as evidenced by: a weak Shilling against the US Dollar; the growing trade in illicit tobacco products; consumers down trading to lower margin brands; and a more restrictive regulatory environment, the Company delivered good results for the year ended December 31, 2016.

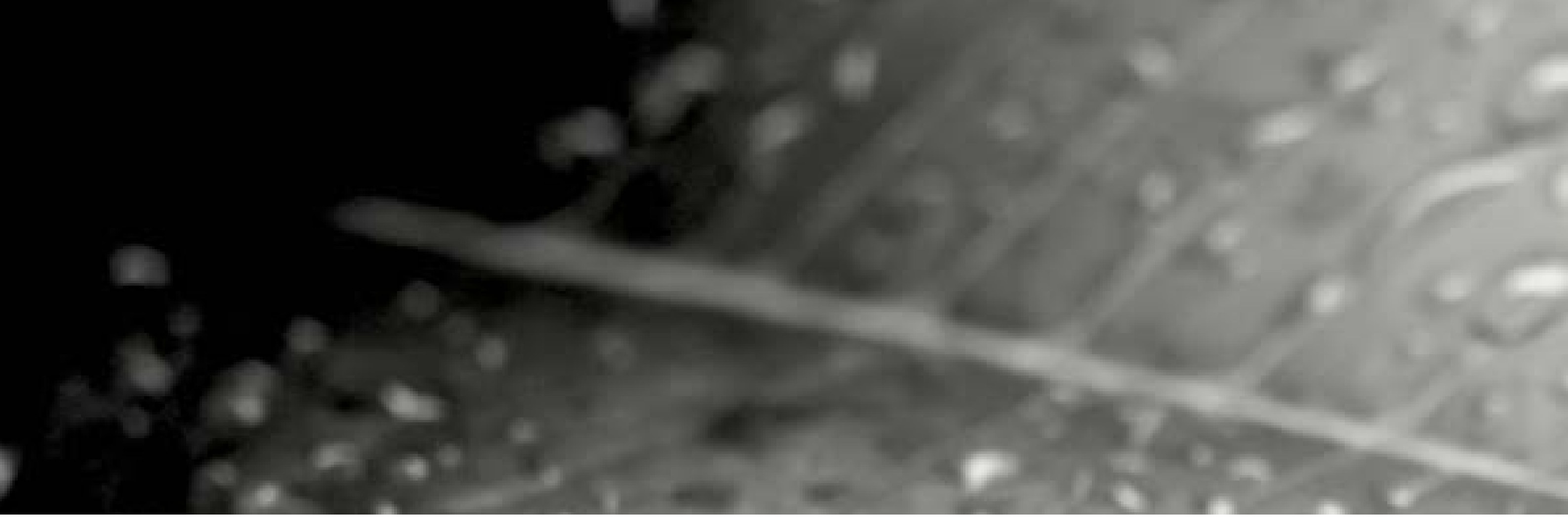
The Company's sales volume dropped by 5.6% (domestic market: -1.8% and export market: -11.9%); increased domestic market share by 1.4% despite growing competition from local and imported products; and managed to reduce consumer down-trading while up traded some consumers. In addition, the Company was restructured to become more efficient and effective.

These achievements are reflected in the results for the year. Gross turnover increased 1% on prior year to TZS 499.5 billion. The Company achieved net sales of TZS 301 billion, 0.1% up on prior year. Gross profit delivered was TZS 170.9 billion, a reduction of 4.5% year-on-year. Profit before tax was TZS 98.6 billion, 1% up on prior year. In addition, the Company paid TZS 228.5 billion in VAT, excise duty and corporate tax, broadly similar to 2015.

Net profit for the year increased by 4.2% on prior year to TZS 68.9 billion, due to reduction on operating expenses.

Tax compliance

The Company was fully tax compliant in 2016. The Company understands its obligation to comply with the country's tax laws and thus always promotes high degree of tax compliance and pays all relevant taxes as specified by such tax laws to the Tanzania Revenue Authority.



Report of the Directors
for the year ended 31 December 2016 (continued)

Dividend

During the year, the Directors declared for 2015, a final ordinary gross dividend of TZS 20 billion or TZS 200 per share (2014: TZS 25 billion or TZS 250 per share) and a special gross dividend of TZS 10 billion or TZS 100 per share (2015: TZS 15 billion or TZS 150 per share). Later in the year, the Directors declared for 2016, an interim ordinary gross dividend of TZS 30 billion or TZS 300 per share, which was paid in November 2016 (2015: TZS 30 billion or TZS 300 per share).

After the year-end, the Directors have proposed the declaration of a final ordinary gross dividend of TZS 20 billion or TZS 200 per share (2015: TZS 20 billion or TZS 200 per share) and a special gross dividend of TZS 10 billion or TZS 100 per share (2015: TZS 10 billion or TZS 100 per share). The final ordinary and special dividends are subject to adoption by shareholders at the Annual General Meeting.

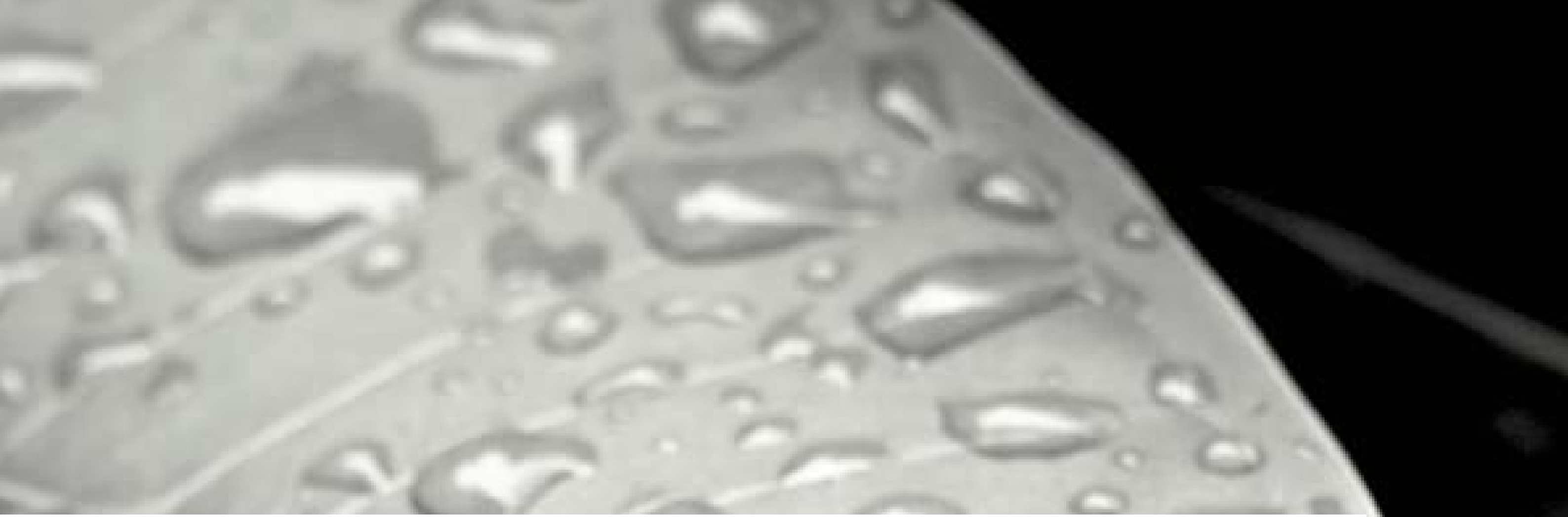
The total gross dividend paid in the current year was TZS 60 billion or TZS 600 per share (2015: TZS 70 billion or TZS 700 per share).

Business environment

The business environment is constantly evolving due to changes in the economic and regulatory environments, as well as the competitive landscape. Management therefore continuously monitors and anticipates developments that affect the business in order to pro-actively address them. Management expects the business environment to remain challenging in 2017, but are well-prepared to face the challenges ahead.

Future development plans

The Company’s goal is to grow its top and bottom line in a sustainable manner, while carefully managing both costs and risks. Focus will be placed on meeting the needs of adult consumers; building the equity of existing brands; expanding product offering; improving the efficiency and effectiveness of route to market; and enhancing the productivity of its people.



Report of the Directors
for the year ended 31 December 2016 (continued)

Cash flow projection

The company's cash projections indicate that future cash flows will mostly be generated by operations. TZS 108 billion is planned to be generated for the 2017 financial year. This will be used to fund operations and capital investments as well as providing returns to shareholders. Capital investments over the medium term of TZS 24.3 billion are planned, focused on investments in production capacity and product quality (TZS 7.2 billion), improvements in safety and security (TZS 2.6 billion), employees housing facilities, canteen facilities and infrastructure (TZS 8.5 billion), IT related project (TZS 1.8 billion) and distribution fleet and infrastructure rejuvenation (TZS 4.2 billion).

Resources

Apart from those items that are reflected in the statement of financial position, the Company's intangible assets include the equity of its brands, the quality of its products, highly motivated employees and the strength of its wide distribution network.

Solvency

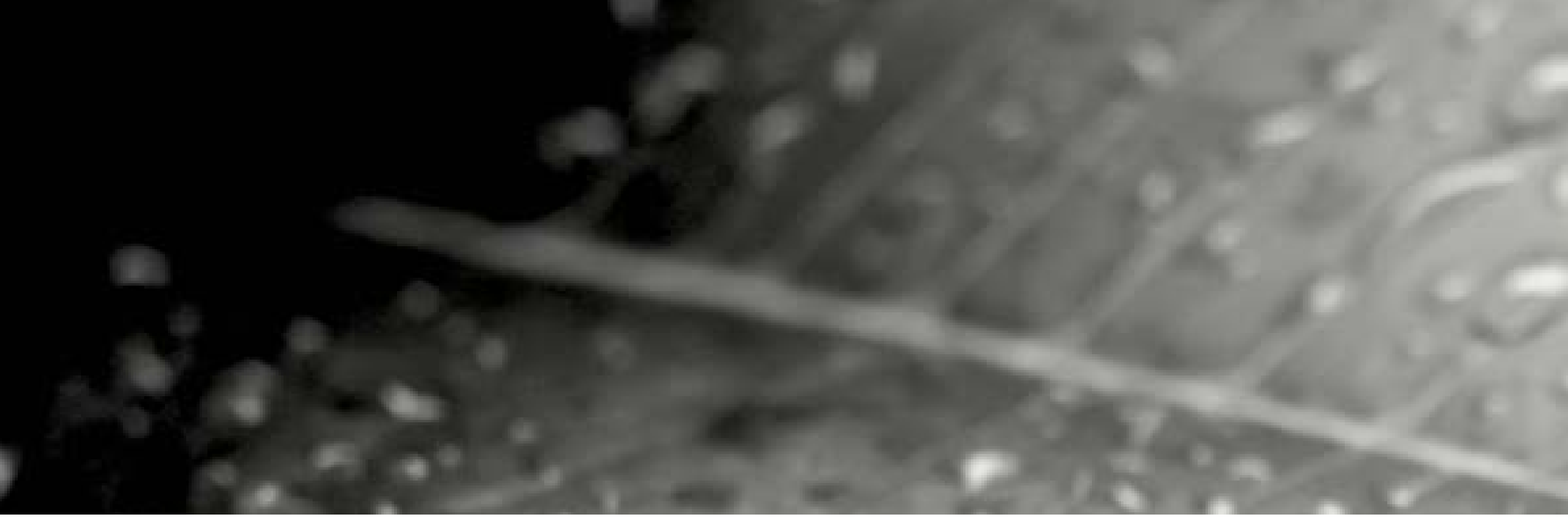
The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Directors consider the Company to be solvent within the meaning ascribed by the Companies Act 2002.

Auditors

The auditors, Deloitte & Touche, having expressed their willingness, continue in office in accordance with Section 170(1) of the Tanzanian Companies Act 2002.

Approved and authorized for issue by the Board of Directors on 14 February 2017 and signed on its behalf by:

Mr. Majd Abdou
Chairman of the Board



Statement of Directors' responsibilities

The Tanzanian Companies Act 2002 (the "Act") requires the Directors to prepare financial statements for each financial year that give a true and fair view of the Company's state of affairs and its operating results for that year. The Act also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Act, 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.

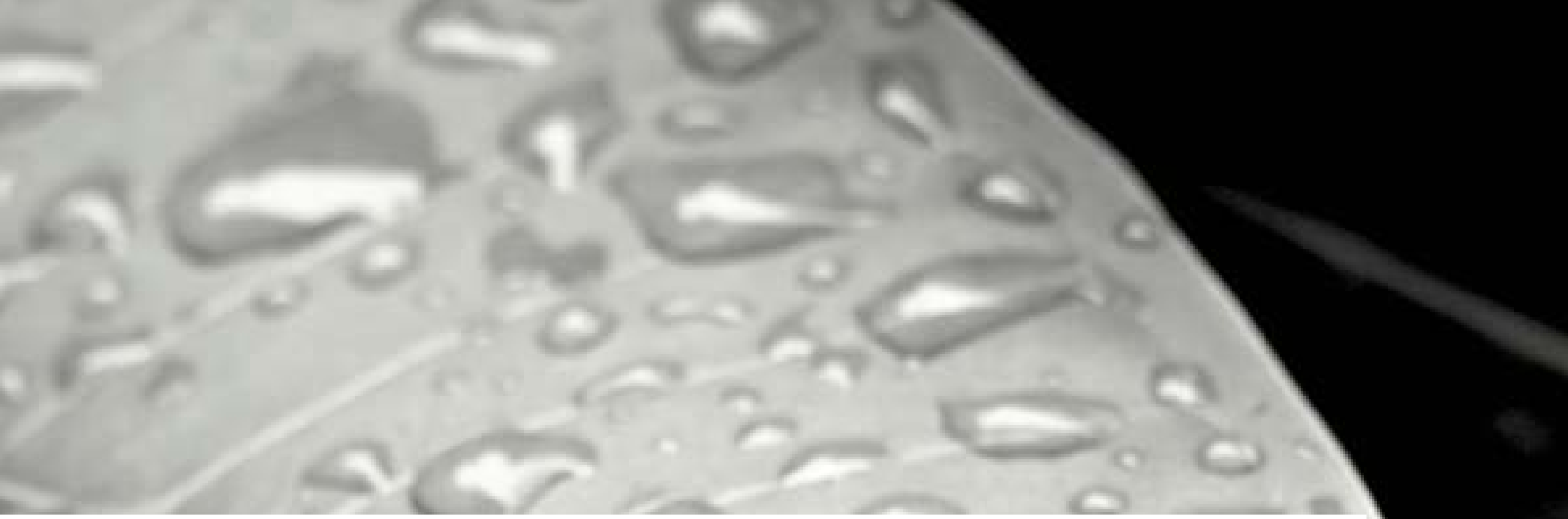
The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Mr. Majd Abdou
Chairman of the Board

Mr. Paul Makanza
Director

14 February 2017



Declaration by the Head of Finance

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 declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors as set out in the Statement of Directors' Responsibilities on page 12.

I, Joshua Folkerth, being the Head of Finance of Tanzania Cigarette Company Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2016 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 Tanzania Cigarette Company Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by: Joshua Folkerth

Position: Chief Financial Officer

NBAA Membership No.: TACPA 2867

Date: 14 February 2017

Deloitte.

Deloitte & Touche
Certified Public Accountants (Tanzania)
10th Floor, PPF Tower
Cnr of Ohio Street & Garden Avenue
P.O. Box 1559
Dar-es-Salaam
Tanzania

Tel: +255 (22) 216 9000
+255 (22) 211 6006
+255 (22) 211 5352
Email: deloitte@deloitte.co.tz
www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANZANIA CIGARETTE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tanzania Cigarette Company Limited (the "Company"), Limited, set out on pages 64 to 119, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Key Audit Matters

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

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation of defined benefit obligation	
The Company operates an unfunded defined benefit retirement plan for its employees. Significant judgement is required by the directors in determining the defined benefit obligation. We identified the valuation of defined benefit obligation as representing a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement and estimation uncertainty associated with determining the amounts. The defined benefit obligation, and the related current service cost and past service cost are measured using the Projected Unit Credit Method in accordance with the current International Accounting Standard 19 ("IAS19").	We assessed the competence, capabilities and objectivity of the company's external actuaries, and verified their qualifications and experience. In addition, we discussed the scope of their work and reviewed their terms of engagement to determine that there were no matters that affected their independence and objectivity or imposed scope limitations upon them. We confirmed that the approach they used is consistent with industry norms. We involved our actuarial specialists in evaluating the directors and their valuer's judgements and, in particular the models used.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Valuation of defined benefit obligation (continued)	
The determination of the present value of the defined benefit obligation, and the related current service cost and past service cost recorded involves a significant estimation process. In any actuarial assessment there is inherent uncertainty associated with the results as assumptions are made about future events. Those assumptions include discount rates, inflation rate, and nominal salary increase rate. The liability is calculated by the company's appointed external actuary. Refer to note 3 & 4 of the financial statements for accounting policy and critical accounting estimates & judgements and note 25 of the financial statements for defined benefit obligation disclosures.	Our actuarial experts counterchecked the data used for calculation and the output from the calculation of the liabilities and the emerging reserves as prepared and presented by the directors. We performed an analysis of the significant assumptions made by the actuaries so as to evaluate the extent of impact on the liability and assessed the appropriateness of the Company's disclosures. In addition, we tested a selection of data inputs underpinning the defined benefit obligation valuation, including total annual salary, percentage salary increase in a year, average age of employees, number of employees, average pensionable service, discount rates and inflation rate against appropriate supporting documentation, to assess the accuracy, reliability and completeness thereof. We found that the models used for the calculation of the defined benefit obligation were appropriate. The disclosures pertaining to the defined benefit obligations were found to be appropriate and comprehensive in the financial statements.

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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

- 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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 Company, so far as appears from our examination of those books; and

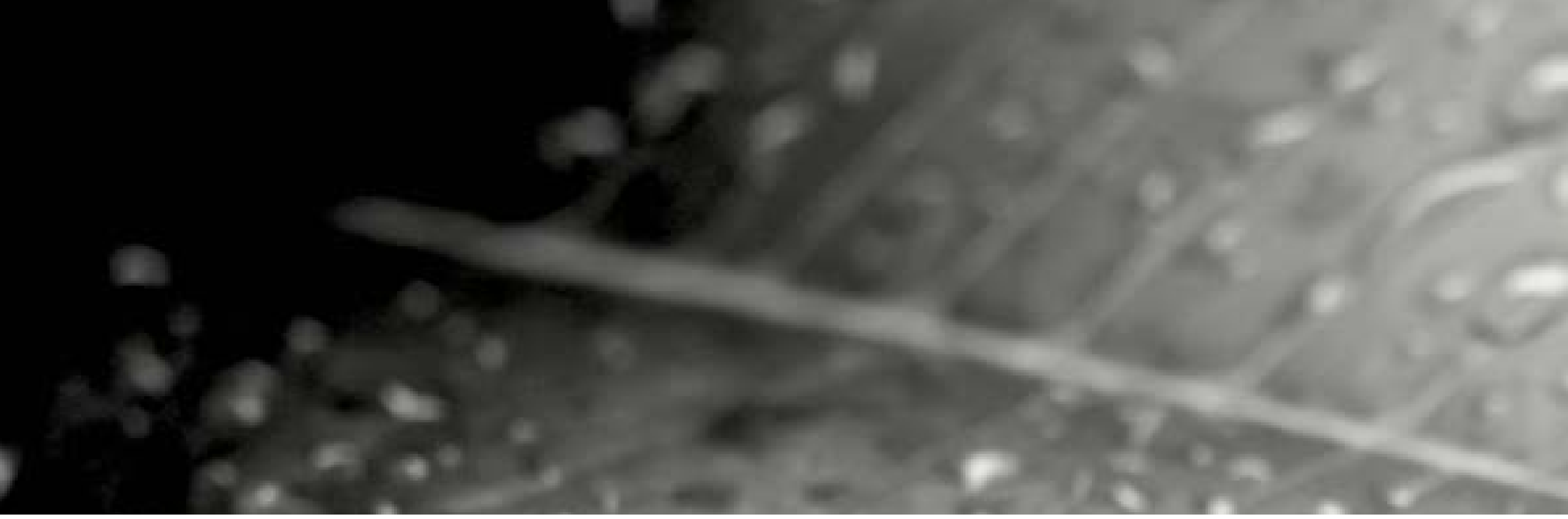
iii) the Company's statement of financial position (balance sheet) and the statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

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

Deloitte & Touche
Certified Public Accountants (Tanzania)

Signed by: E. A. Harunani
Dar es Salaam

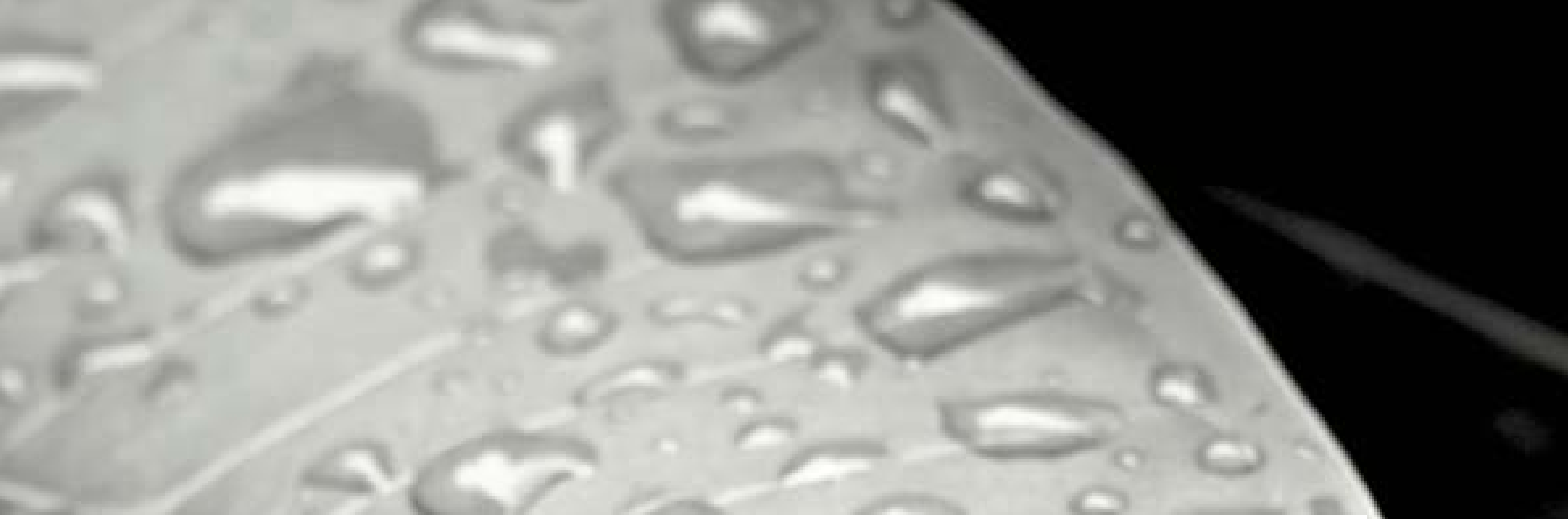
21 February 2017



Statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	Notes	2016 TZS M	2015 TZS M
Gross turnover		499,457	496,675
- VAT		(66,403)	(64,940)
Revenue	5	**433,054**	**431,735**
- Excise duty		(132,092)	(131,185)
Net sales		**300,962**	**300,550**
Cost of sales	6	(130,070)	(121,553)
Gross profit	5	**170,892**	**178,997**
Marketing, selling and distribution		(43,686)	(37,204)
expensesAdministration expenses		(33,170)	(38,167)
Other expenses		(306)	(11,197)
Other gains		1,045	1,005
Interest income		3,974	3,942
Interest expense	7	(116)	(80)
Profit before tax		98,633	97,296
Income tax expense	8(a)	(29,964)	(31,585)
Profit for the year		**68,669**	**65,711**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
- Defined benefit actuarial gain	25	5,296	304
- Tax relating to components of other	8	(1,589)	(91)
comprehensive income		3,707	213
Total comprehensive income		**72,376**	**65,924**
Earnings per share:			
Basic and diluted (TZS per share)	9	687	657



Statement of financial position

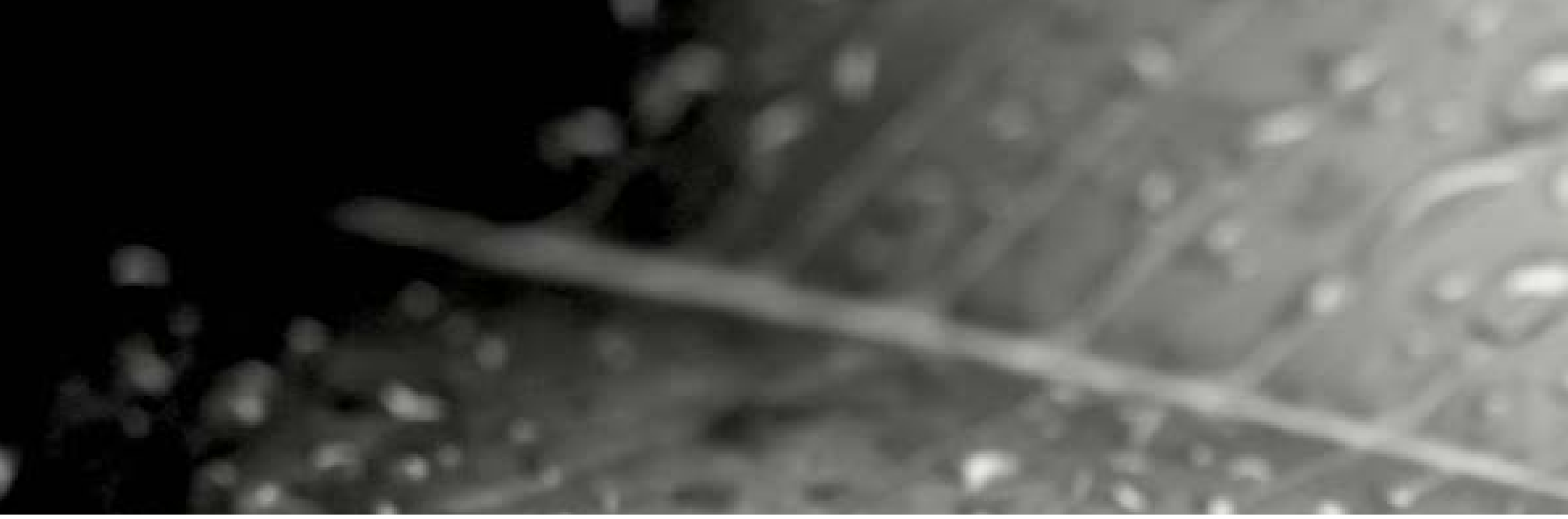
as at 31 December 2016

Assets	Notes	2016 TZS M	2015 TZS M
Non-current assets			
Property, plant and equipment	11	89,353	87,474
Intangible assets	12	-	-
Investment in subsidiary	13	-	-
Total non-current assets		**89,353**	**87,474**
Current assets			
Inventories	14	123,175	90,034
Trade and other receivables	15	13,331	8,357
Cash and bank balances	16	31,353	44,107
Total current assets		**167,859**	**142,498**
Total assets		**257,212**	**229,972**
Equity and liabilities			
Capital and reserves			
Share capital	17	2,000	2,000
Defined benefit reserve		4,988	1,281
Retained earnings		179,728	171,059
Shareholders' funds		**186,716**	**174,340**
Non-current liabilities			
Deferred tax liability	18	6,697	5,300
Defined benefit obligation	25	5,802	9,147
Total non-current liabilities		**12,499**	**14,447**
Current liabilities			
Trade and other payables	19	53,794	37,207
Income tax payable	8(d)	4,203	3,978
Total current liabilities		**57,997**	**41,185**
Total liabilities		**70,496**	**55,632**
Total equity and liabilities		**257,212**	**229,972**

The financial statements on pages 45 to 119 were approved and authorized for issue by the Board of Directors on 14 February 2017 and were signed on its behalf by the following Directors:

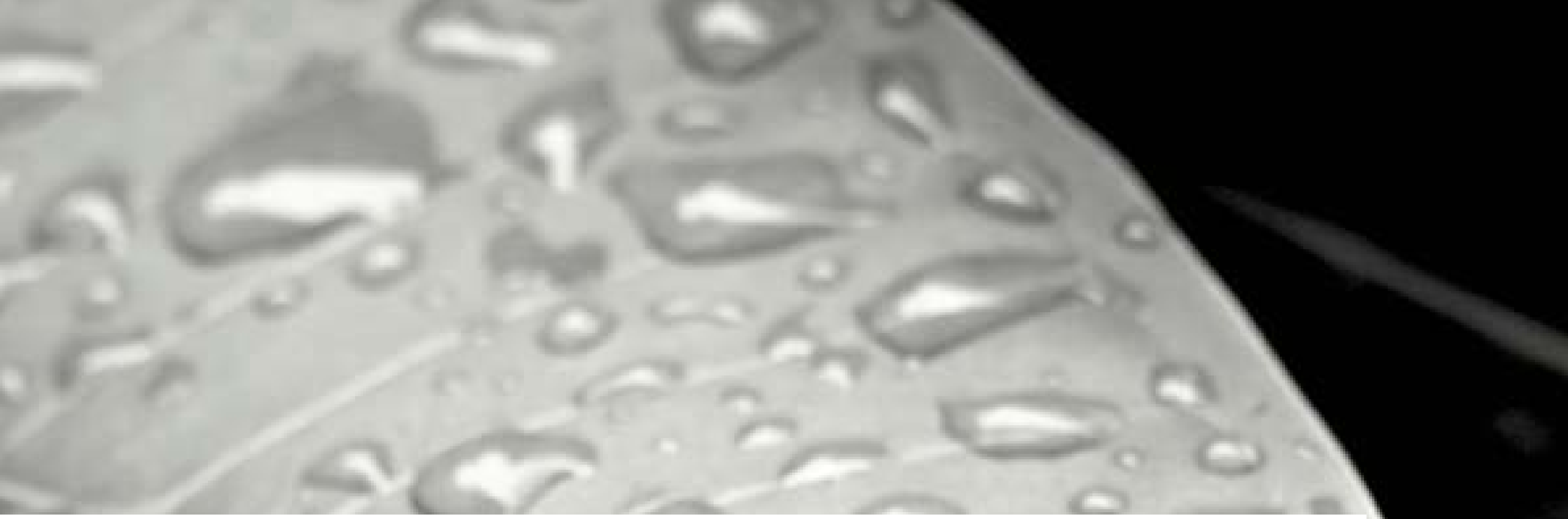
Mr. Majd Abdou
Chairman

Mr. Paul Makanza
Director



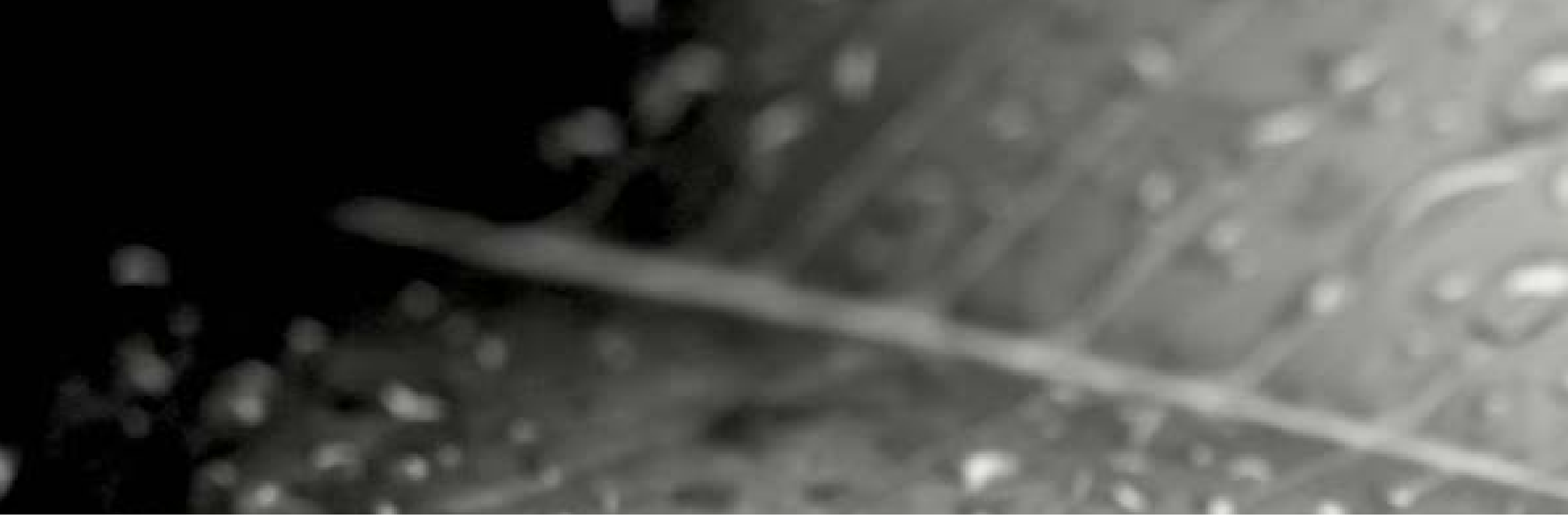
Statement of changes in equity
for the year ended 31 December 2016

	Notes	Share capital TZS M	Defined benefit reserve TZS M	Retained earnings TZS M	Total TZS M
At 1 January 2015		2,000	1,068	175,348	178,416
Profit for the year		-	-	65,711	65,711
Other comprehensive income		-	213	-	213
Total comprehensive income		-	**213**	**65,711**	**65,924**
Dividend paid (2015 final and 2016 interim)	10	-	-	(70,000)	(70,000)
Balance at 31 December 2015		**2,000**	**1,281**	**171,059**	**174,340**
At 1 January 2016		2,000	1,281	171,059	174,340
Profit for the year		-	-	68,669	68,669
Other comprehensive income		-	3,707	-	3,707
Total comprehensive income	10	-	**3,707**	**68,669**	**72,376**
Dividend paid (2015 final and 2016 interim)		-	-	(60,000)	(60,000)
Balance at 31 December 2016		**2,000**	**4,988**	**179,728**	**186,716**



Statement of cash flows
for the year ended 31 December 2016

	Notes	2016 TZS M	2015 TZS M
Cash flows from operating activities			
Profit before tax		98,633	97,296
Adjustments for:			
Depreciation and amortization		12,890	15,709
Defined benefit expense		2,327	1,933
Interest expense		116	80
Interest income		(3,974)	(3,942)
Gain on disposal of property, plant and equipment		(508)	(500)
		109,484	**110,576**
Working capital changes:			
(Increase) /decrease in inventories		(33,141)	249
Movement in related party balances		18	484
Increase in trade and other receivables		(1,676)	(1,061)
Increase/(decrease) in trade and other payables		13,271	(14,936)
		87,956	**95,312**
Defined benefit paid	25	(376)	(135)
Interest received		3,974	3,942
Interest paid		(116)	(80)
Income tax paid	8 (d)	(29,931)	(32,620)
Net cash generated from operating activities		**61,507**	**66,419**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(14,787)	(8,361)
Proceeds from disposal of property, plant and equipment		526	826
Net cash used in investing activities		**(14,261)**	**(7,535)**
Cash flows from financing activities			
Dividends paid to owners of the Company	10	(60,000)	(70,000)
Net cash used in financing activities		**(60,000)**	**(70,000)**
Net decrease in cash and cash equivalents		(12,754)	(11,116)
Cash and cash equivalents at the beginning of the year		44,107	55,223
Cash and cash equivalents at the end of the year		**31,353**	**44,107**
Represented by:			
Cash and bank balances	16	**31,353**	**44,107**



Notes to the financial statements
for the year ended 31 December 2016

1. General information

Tanzania Cigarette Company Limited (The Company) is a limited liability Company incorporated in the United Republic of Tanzania. The addresses of its registered office and principal place of business are disclosed in the corporate information on page 45 of this report. The principal activities of the Company are described in the Directors' report.

2. Adoption of new and revised International Financial Reporting Standards

a) New standards and amendments to published standards effective for the year ended 31 December 2016

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

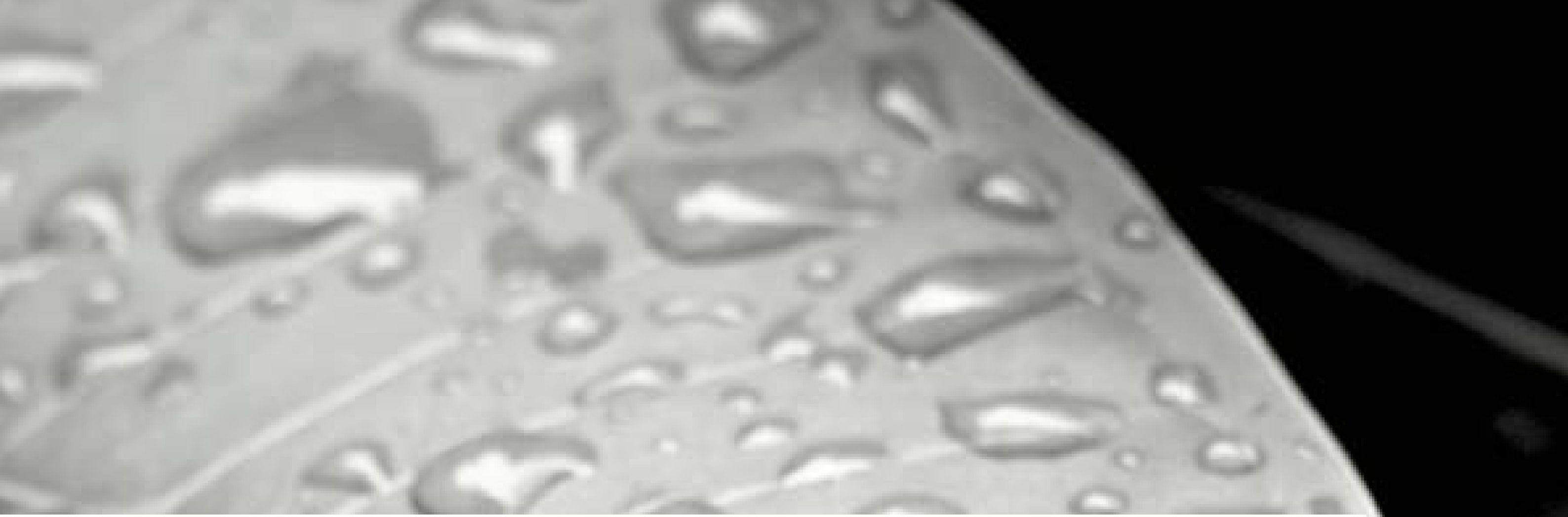
Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

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 application of these amendments to IFRS 11 did not have a any impact on the Company's financial statements as the Company does not have any interests in joint ventures.

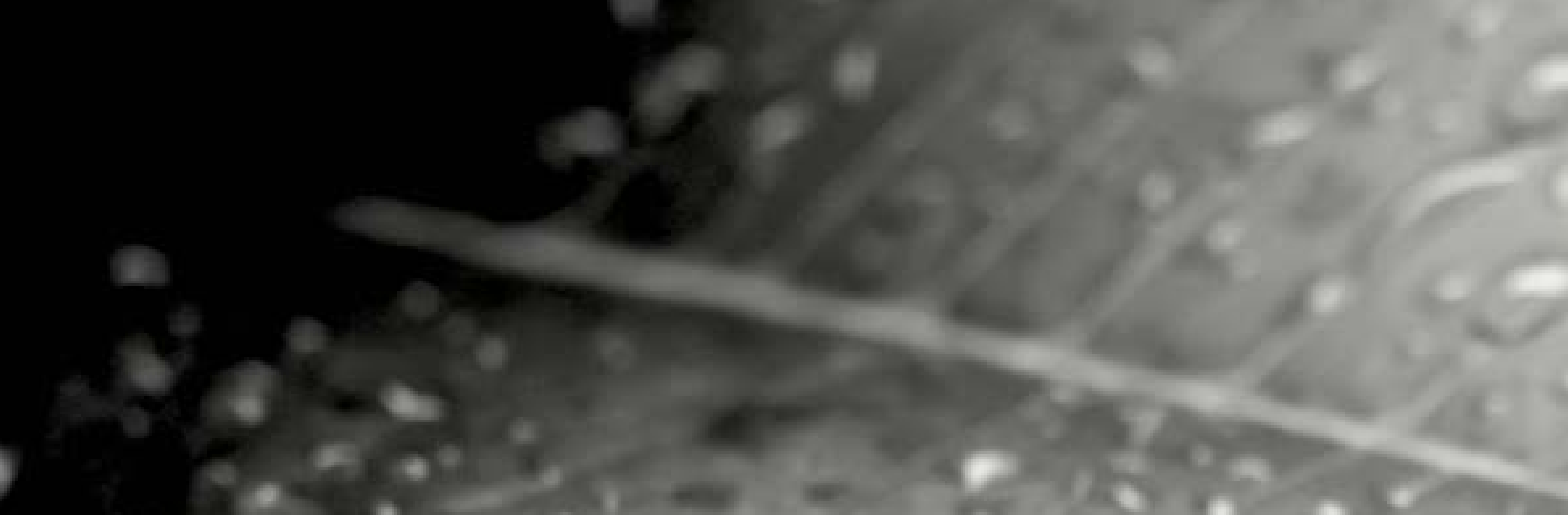


Notes to the financial statements
for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

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

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	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 application of these amendments to IASs 16 and 38 did not have any impact on the Company's financial statements as the Company's selection of depreciation method is not based on its revenues
Disclosure Initiative (Amendments to IAS 1)	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;

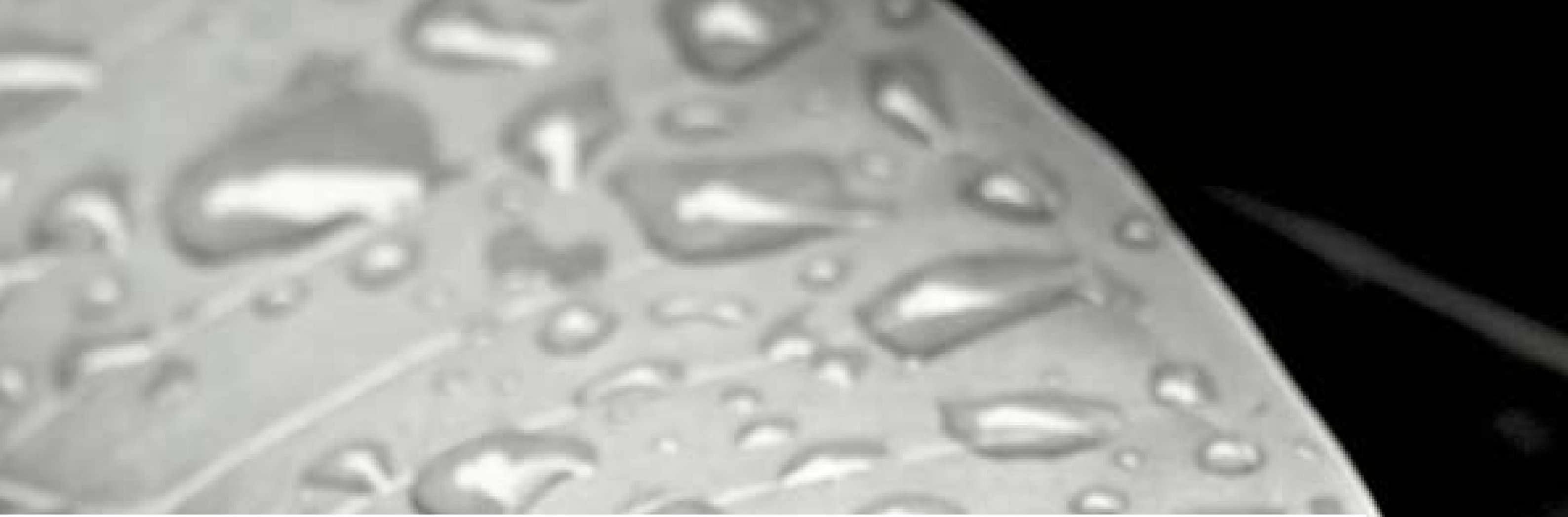


Notes to the financial statements
for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

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

Disclosure Initiation (Amendments to IAS1)	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
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	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 Apprication of these amendments to IASs 16 and 41 did not have any impact on the Company’s financial statements as the Company does not deal in agriculture.
Equity Method in Separate Financial Statements (Amendments to IA	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 application of these amendments to IAS 27 did not have any impact on the Company’s financial statements.



Notes to the financial statements

for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

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

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 did 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:

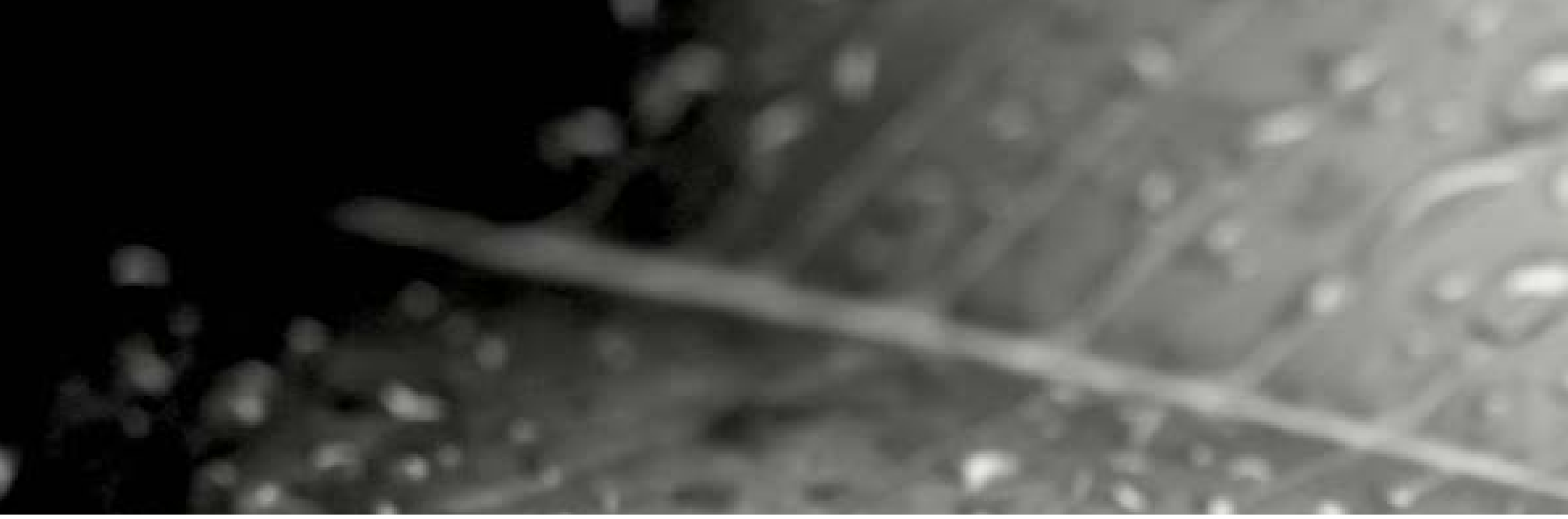
• IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued

• 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

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.



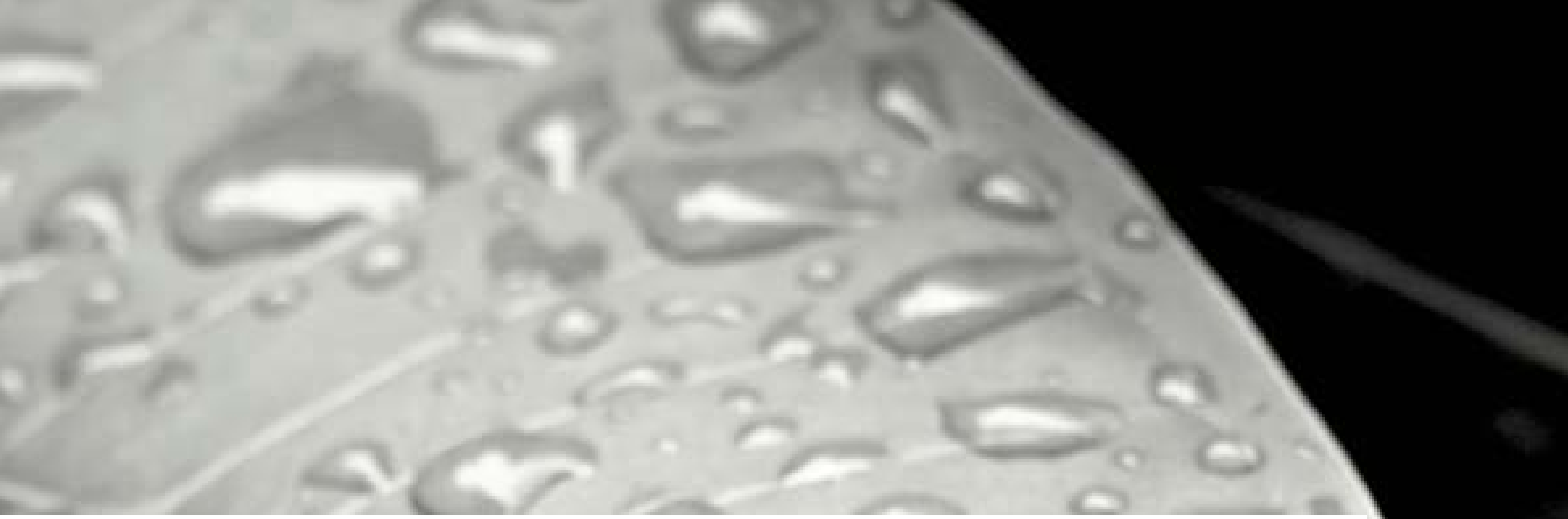
Notes to the financial statements
for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

b) 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:

IFRS 9, Financial Instruments (2014)	Effective for accounting periods beginning on or after 1 January 2018
IFRS 15 Revenue from Contracts with Customers	Effective for accounting periods beginning on or after 1 January 2018
IFRS 16 Leases	Effective for accounting periods beginning on or after 1 January 2019
Disclosure Initiative (Amendments to IAS 7)	Effective for accounting periods beginning on or after 1 January 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Effective for accounting periods beginning on or after 1 January 2018
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	Effective for accounting periods beginning on or after 1 January 2017
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Effective for accounting periods beginning on or after 1 January 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	Effective for accounting periods beginning on or after 1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	Effective for accounting periods beginning on or after 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	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 financial statements

for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

c) 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.

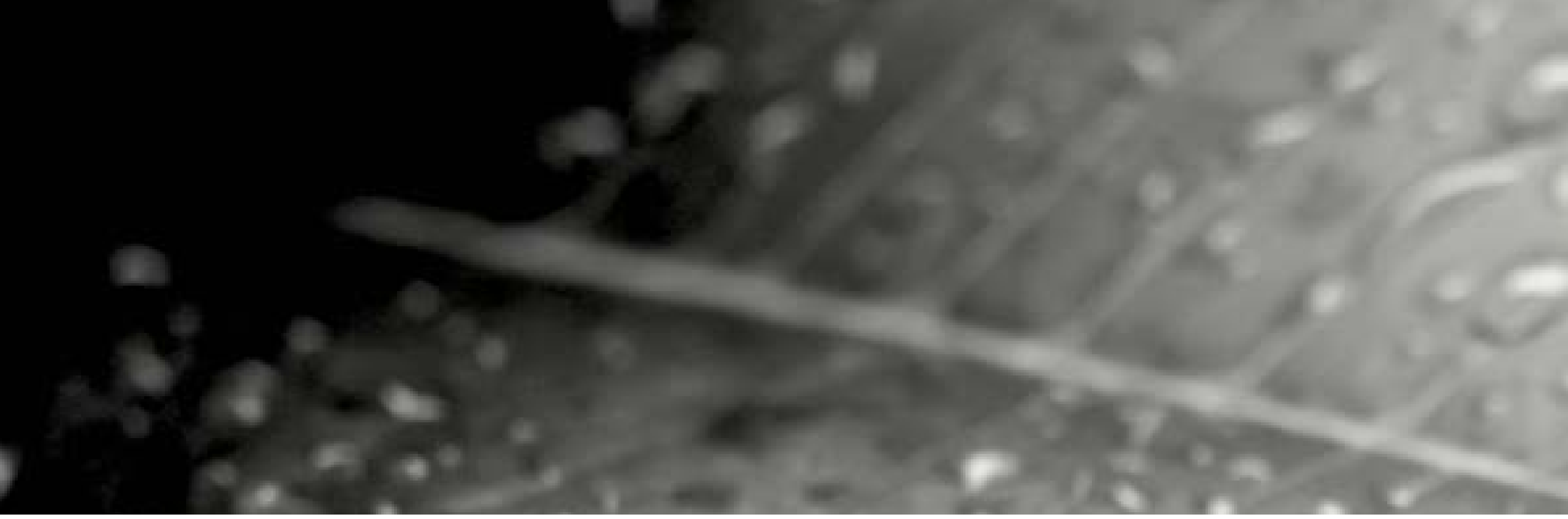
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

- **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 Company has started the process of evaluating the potential effect of this standard but given the nature of the Company's operations, this standard may not have a pervasive impact on the Company's financial statements when effective.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

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

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.

The five steps in the model are as follows:

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

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

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

IFRS 16 Leases

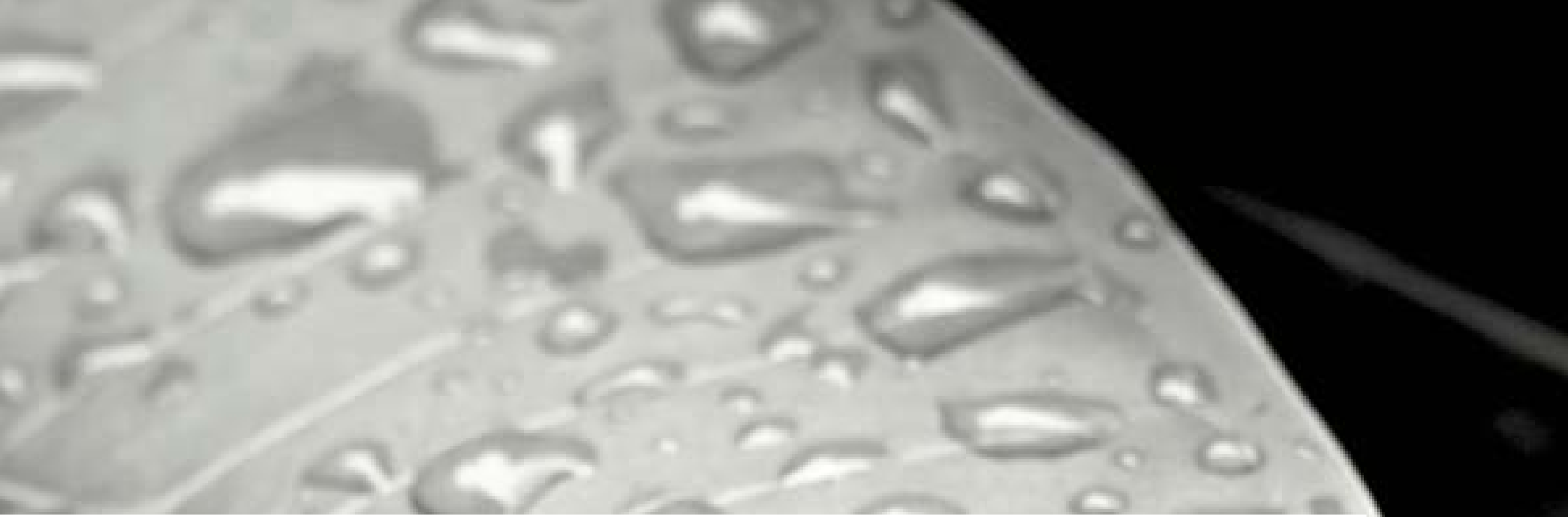
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. 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.

Disclosure Initiative (Amendments to IAS 7)

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.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015 (continued)

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.

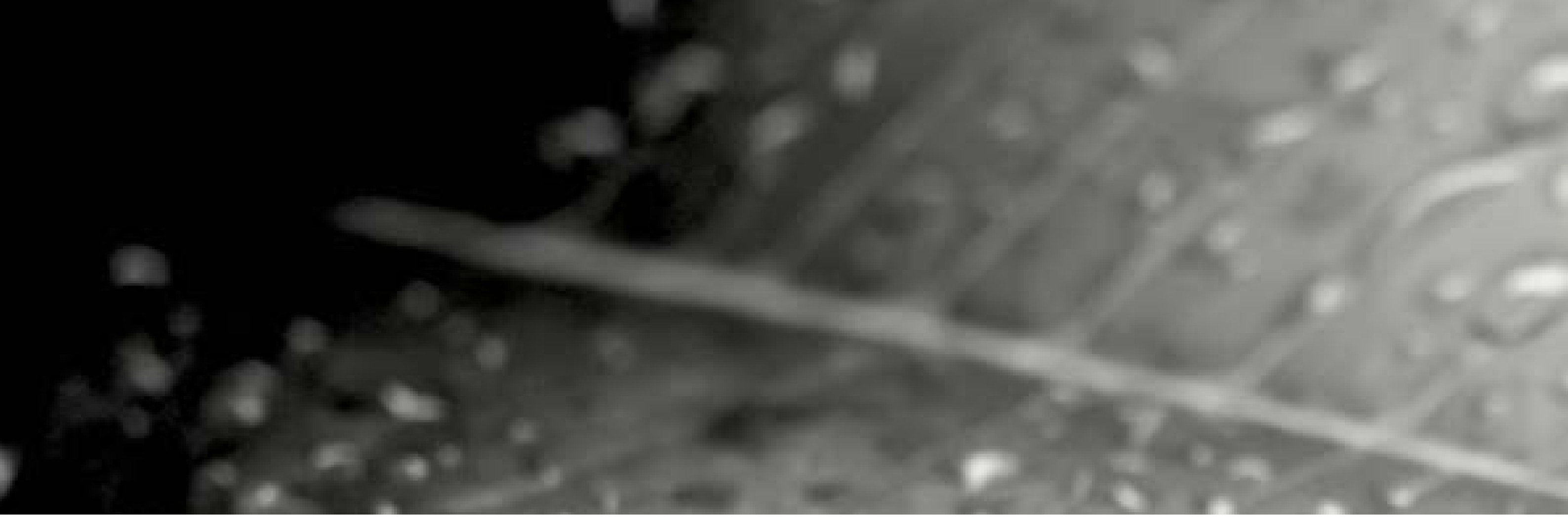
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

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.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015 (continued)

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

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.

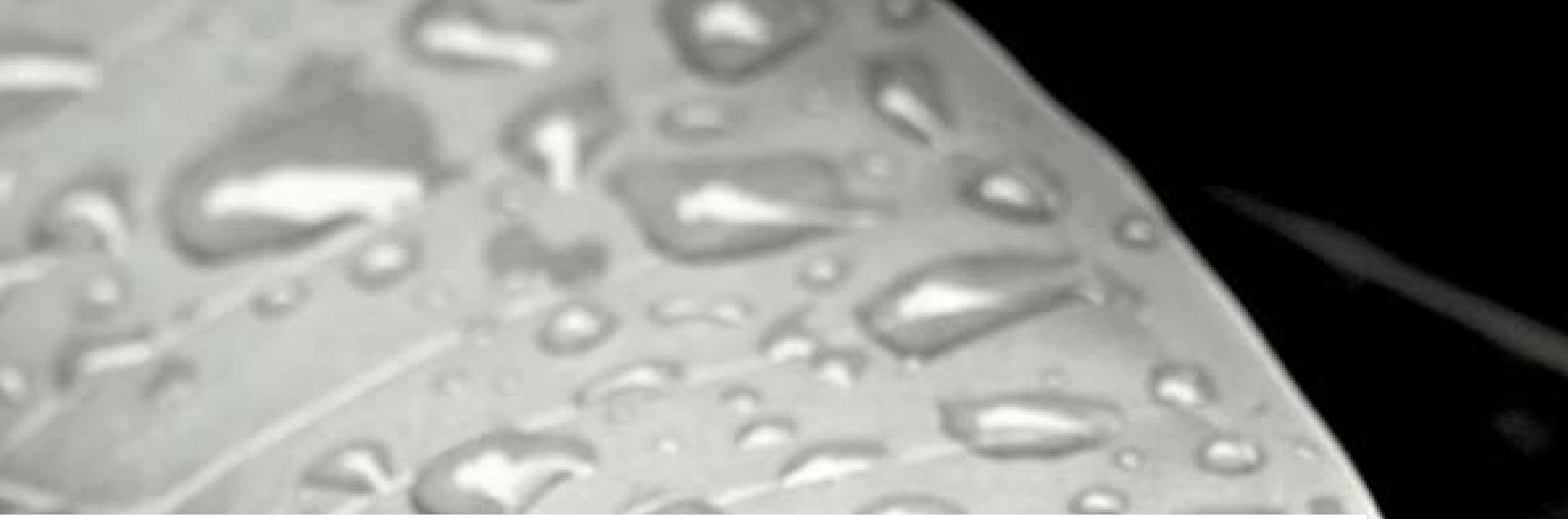
The amendments to IFRS 10 and IAS 28 effective date is deferred indefinitely and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

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

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.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

2. Adoption of new and revised International Financial Reporting Standards (continued)

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015 (continued)

Transfers of Investment Property (Amendments to IAS 40)

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.

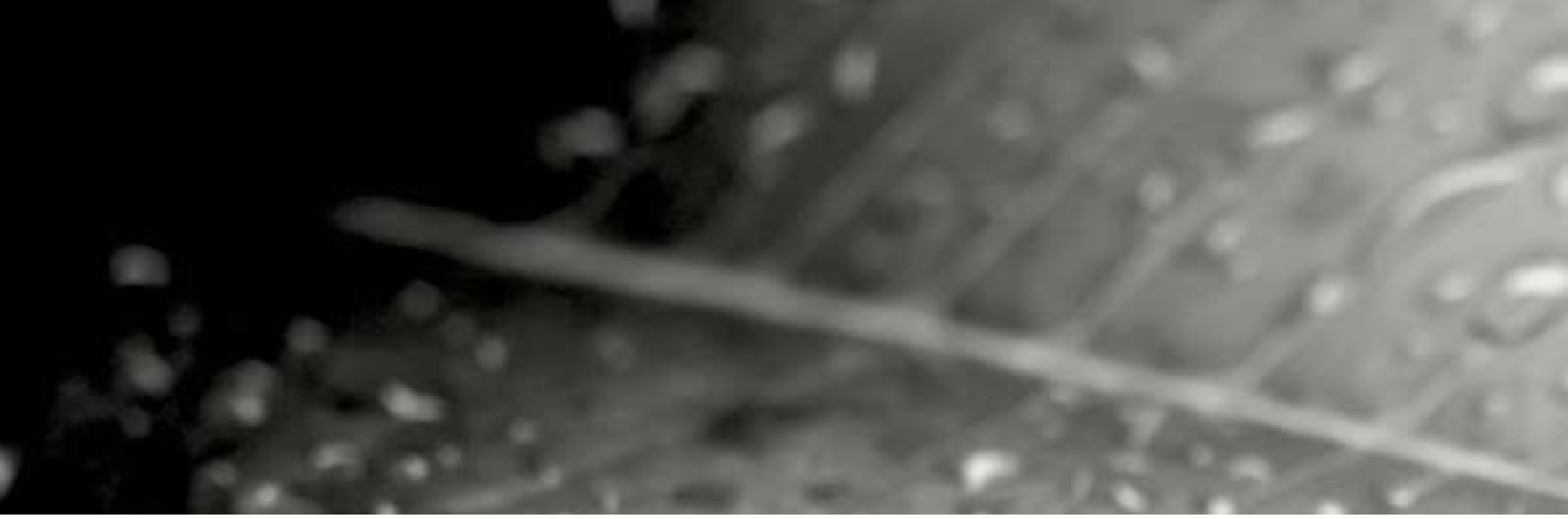
Annual Improvements to IFRS Standards 2014–2016 Cycle

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.

d) Early adoption of standards

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



Notes to the financial statements

for the year ended 31 December 2016 (continued)

3. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance and comply with International Financial Reporting Standards.

For the Tanzanian Companies Act 2002 reporting purposes, in these financial statements the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the financial statements as statement of profit or loss and other comprehensive income.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are stated in Tanzanian Shillings (TZS), rounded to the nearest million.

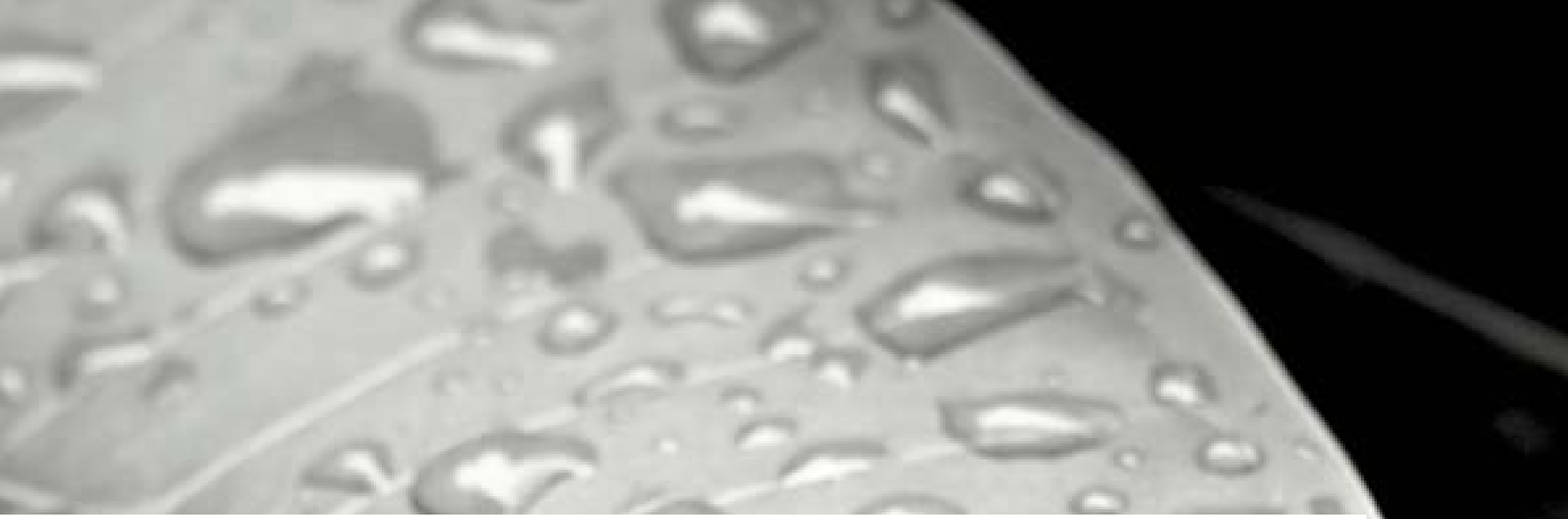
Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Gross turnover, which comprises the invoiced value of sales, net of returns and discounts, is recognized when products are delivered and accepted by the customers and is stated inclusive of Excise Duty and Value Added Tax. Export sales are deemed to be accepted by customer upon dispatch of goods.

Net sales, which comprise the invoiced value of sales net of returns and discounts, are stated exclusive of Excise Duty and Value Added Tax.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Revenue recognition (Continued)

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

Interest income is recognized when it accrues on a time proportion basis using effective interest rate method.

Foreign currency translation

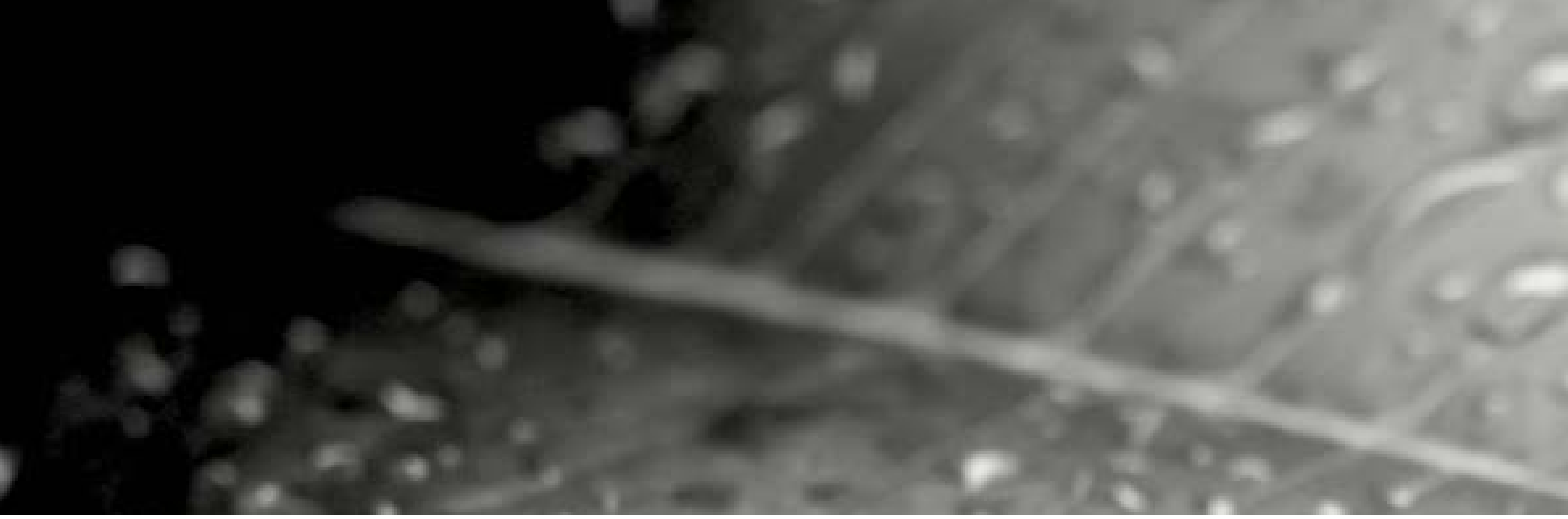
These financial statements are presented in Tanzania shillings, which is also the functional currency of the Company. Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated using the closing rates. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowing.

Retirement benefits obligations

The voluntary agreement between management and Trade Union created a defined benefit plan. The Company operates an unfunded and unvested defined benefit scheme for its employees. Provision is made in the financial statement for the estimated cost of the future benefits under the scheme. No employee contributions are made to the scheme. Provisions to the scheme are recognized as an expense in profit or loss when employees have rendered service entitling them to the scheme with actuarial valuations being carried out at the end of each reporting period. Actuarial gains or losses are fully recognized in other comprehensive income. Past service costs are recognized immediately in profit or loss.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for actuarial gains and losses. The present value of the defined benefit obligation is determined by discounting the estimated future cash out flows using various factors as described in the note 25 of these financial statements.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Retirement benefits obligations (continued)

The Company and its employees also make statutory contributions to the National Social Security Fund (NSSF), Parastatal Pension Fund (PPF) and LAPF Pensions Fund (LAPF). The Company's obligations with respect to contributions are 10%, 15% and 15% of the employees' gross emoluments for NSSF, PPF and LAPF members respectively. The Company's contributions with respect to these retirement benefits obligations are charged to the profit or loss in the period to which they relate.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Corporate tax

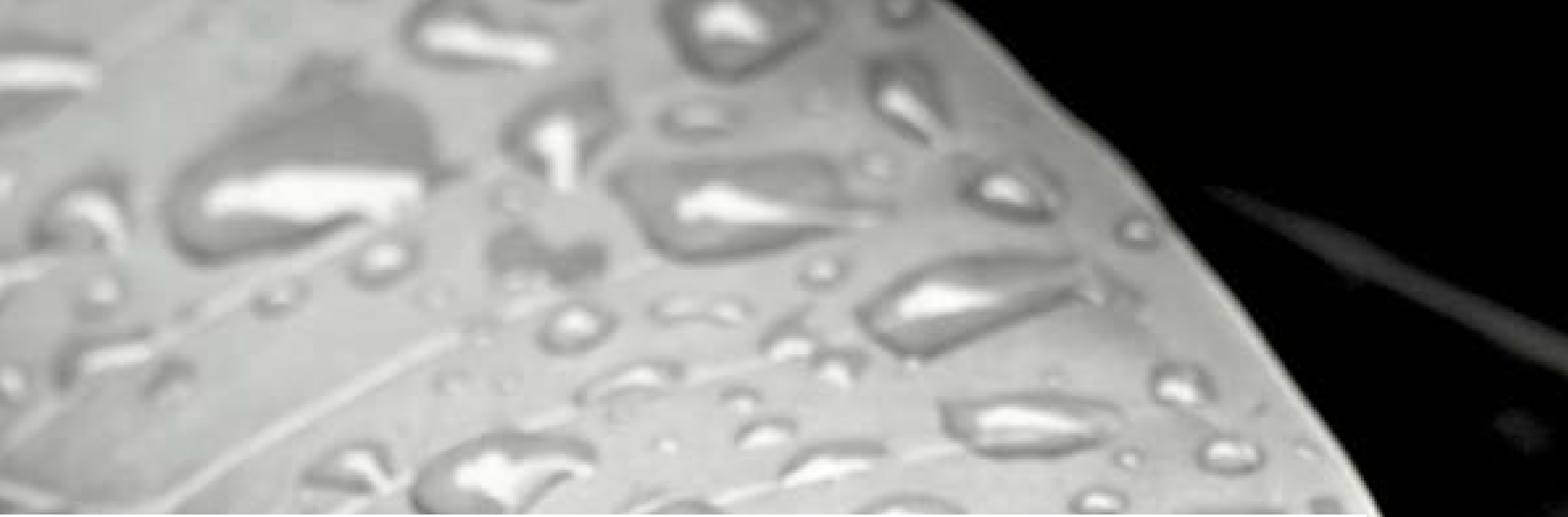
The current corporate tax charge in profit or loss is based on statutory income tax rate of 30% applied on taxable profit for the year under review. The taxable profit is arrived at after taking into consideration relevant provisions of IAS 12 and the Income Tax Act of 2004 together with its subsequent amendments through the Finance Acts as enacted by the Parliament of United Republic of Tanzania.

Taxable profit differs from account profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in different accounting periods (temporary differences) and items that are never taxable or deductible (permanent differences). The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, the written down value. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available in future against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Taxation (continued)

Deferred taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period under review

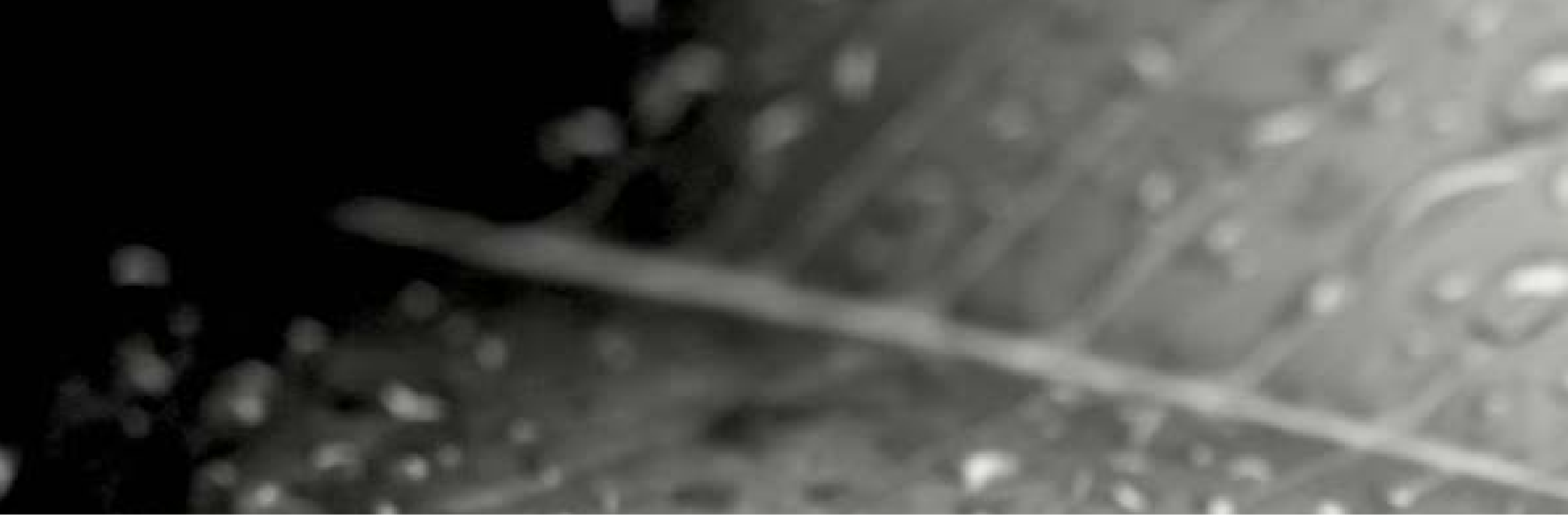
Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Value Added Tax (VAT)

The revenues, expenses and assets are recognized at amounts net of VAT. However, in the event that VAT incurred on a purchase of assets or services is not claimable as input VAT as provided in the VAT Act, 2014 together with its subsequent amendments and regulations, the VAT is recognized as part of cost of acquisition of the assets or part of the expense item as appropriate.

Any unpaid or uncollected amounts due to suppliers or due from customers are stated and reported as gross amounts including VAT.

The net (Output VAT less Input VAT) amount of VAT payable to Tanzania Revenue Authority at the year-end is included in trade and other payables.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Taxation (continued)

Excise duty

The excise duty paid/payable to Tanzania Revenue Authority is determined by applying specific rates as provided in the Excise (Management and Tariff) Act, Cap 147 together with its subsequent amendments. The current specific excise duty rates which are applicable as at year end are as follows:

- Cigarettes without filter tip and containing domestic tobacco exceeding 75% is TZS 11,854 per 1,000 cigarettes (2015: TZS 11,289).

- Cigarettes with filter tip and containing domestic tobacco exceeding 75% is TZS 28,024 per 1,000 cigarettes (2015: TZS 26,689).

- Other cigarettes not mentioned in first and second bullet above is TZS 50,700 per 1,000 cigarettes (2015: TZS 48,285).

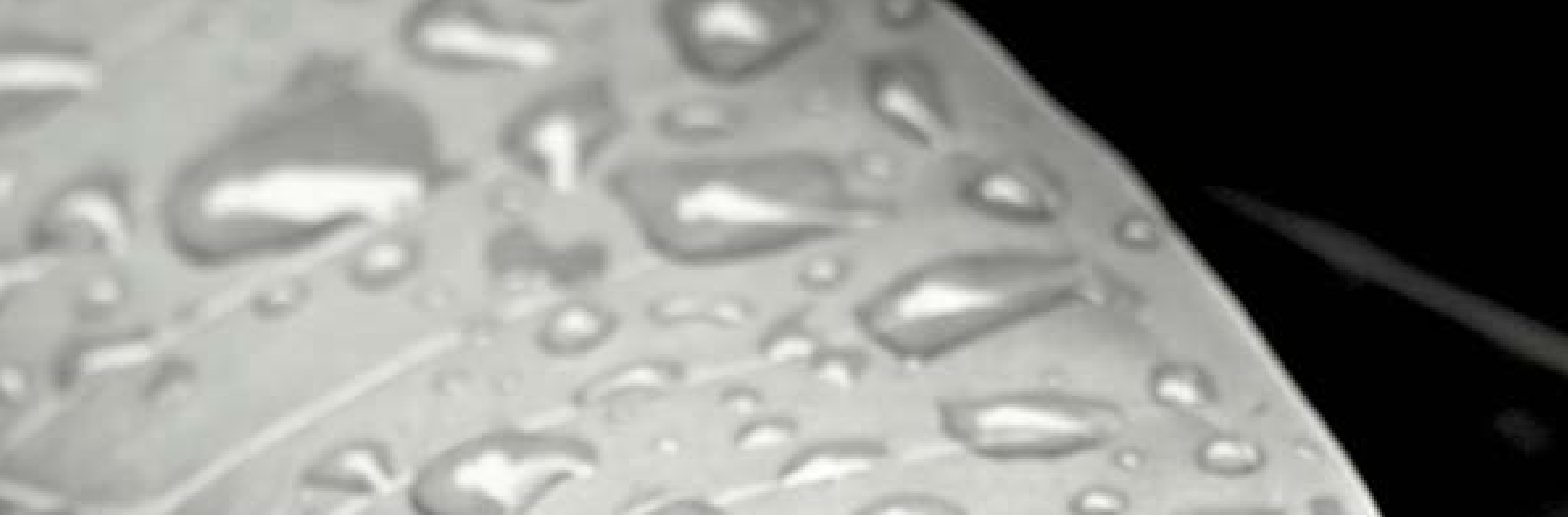
The amount of excise duty payable to Tanzania Revenue Authority at the year-end is included in trade and other payables.

Investment in Subsidiary Company

Investment in subsidiary is recognized at cost less any accumulated impairment losses.

Inventories

Inventories are stated at the lower of cost and net realizable value.
Cost of raw materials and consumable stores are determined by the weighted average cost method. Cost of finished goods and work in progress are valued at direct raw material cost and include a portion of manufacturing overhead expenses, determined on a weighted average basis. Net realizable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and costs to be incurred in marketing, selling and distribution.



Notes to the financial statements

for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Leases

Leases of property and equipment, where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. All other leases are classified as operating leases.

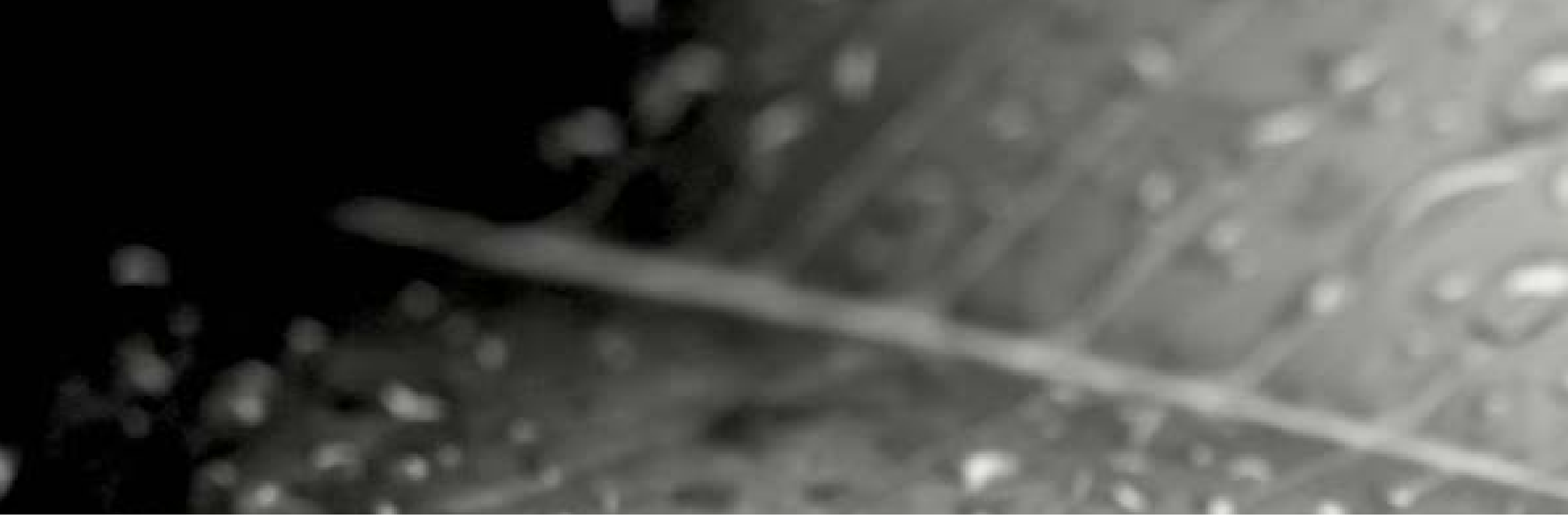
Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in long-term payables. The interest element of the finance charge is charged to profit or loss over the lease period. Property and equipment acquired under finance leasing contracts are depreciated over the term of the lease or useful life of the asset, whichever is shorter.

Rental income from operating leases is recognized on a straight line basis over the term of relevant lease. The total payments made under operating leases are charged to other operating expenses in profit or loss on a straight line basis over the period of lease. When operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful lives to the estimated residual value. Useful lives, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis. Residual values are measured as the estimated amount currently receivable for an asset if the asset were already of the age and condition expected at the end of its useful life. Each significant component included in an item of property, plant and equipment is separately recorded and depreciated. The estimated useful life of assets at time of acquisition is assumed as follows:

	Years
Permanent buildings	50
Temporary buildings	3
Plant and machinery	5 - 20
Other equipment	3 - 10
Motor vehicles	4
Advertising equipment	4



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Property, plant and equipment (continued)

Maintenance and repairs, which neither materially add to the value of the assets nor appreciably prolong their useful lives, are recognised as an expense in the period incurred. Minor plant and equipment items are also recognised as an expense during the period incurred.

Profits or losses on the retirement or disposal of property, plant and equipment, determined as the difference between the actual proceeds and the carrying amount of the assets, are recognised in profit or loss in the period in which they occur. The date of disposal is determined as the date on which the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the proceeds on the sale can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

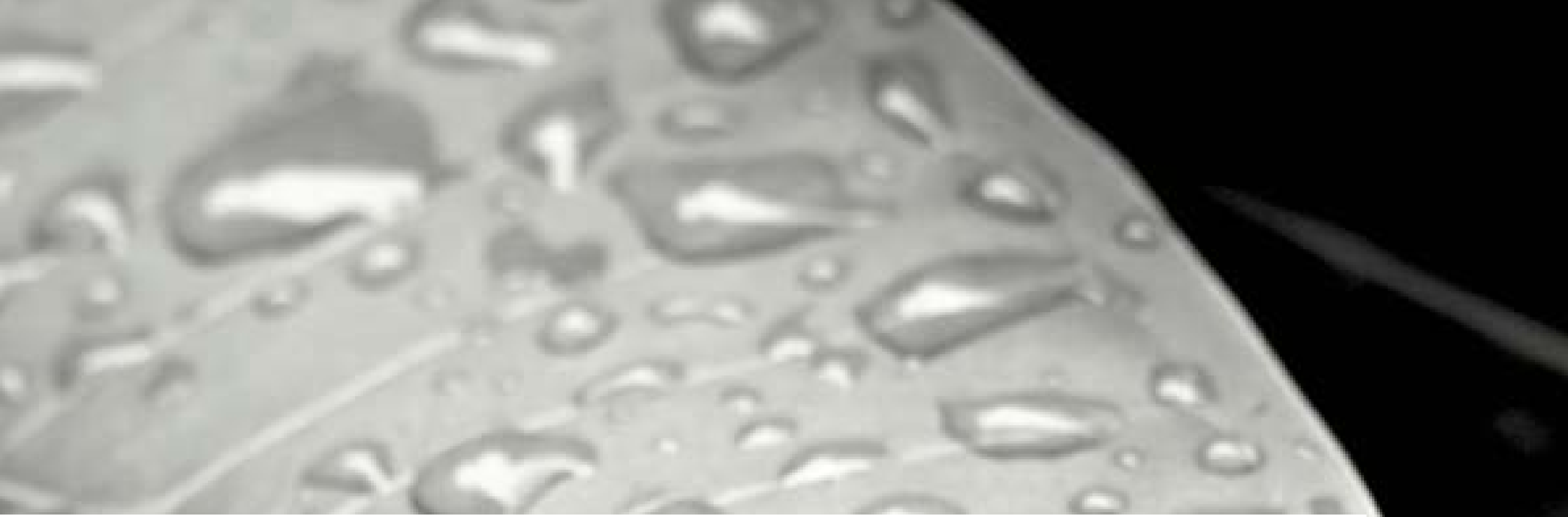
Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset, from the date that it is available for use.

Trademarks

Trademarks are initially measured at purchase cost and are amortized on a straight line basis over their estimated useful lives. The estimated useful life of the current trademarks is 10 years.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Impairment of tangible and intangible assets

Assets that have an indefinite useful life and intangible assets not available for use are tested annually for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognized as an expense in profit or loss immediately. The recoverable amount of an asset is the higher of the asset's fair value less cost of disposal and its value in use.

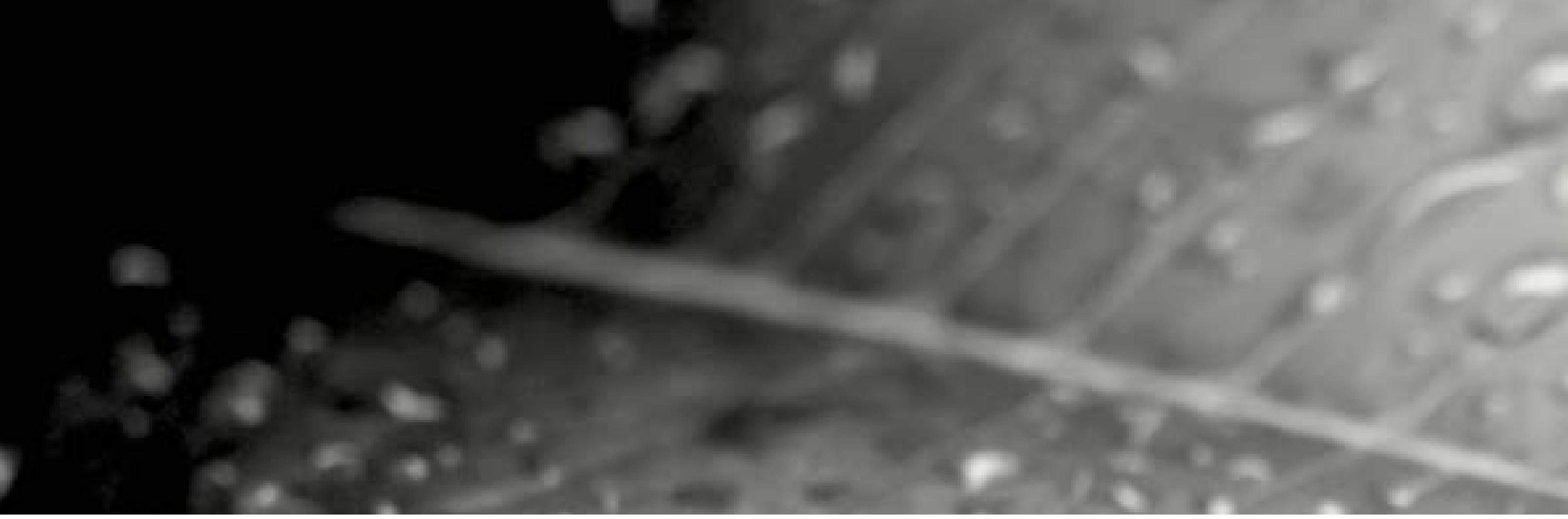
The fair value represents the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The value in use of an asset represents the expected future cash flows from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment loss is allocated to reduce the carrying amount of the assets of the cash-generating unit, first to goodwill in respect of the cash generating unit, if any, and then to the other assets on a pro-rata basis based on their carrying amounts. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

A previously recognized impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in prior periods. No goodwill impairment losses are reversed.

After the recognition of an impairment loss, any depreciation or amortization charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its estimated residual value, on a systematic basis over its remaining useful life.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Dividends declared after the end of reporting period, are not recognized as liabilities.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Initial recognition

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

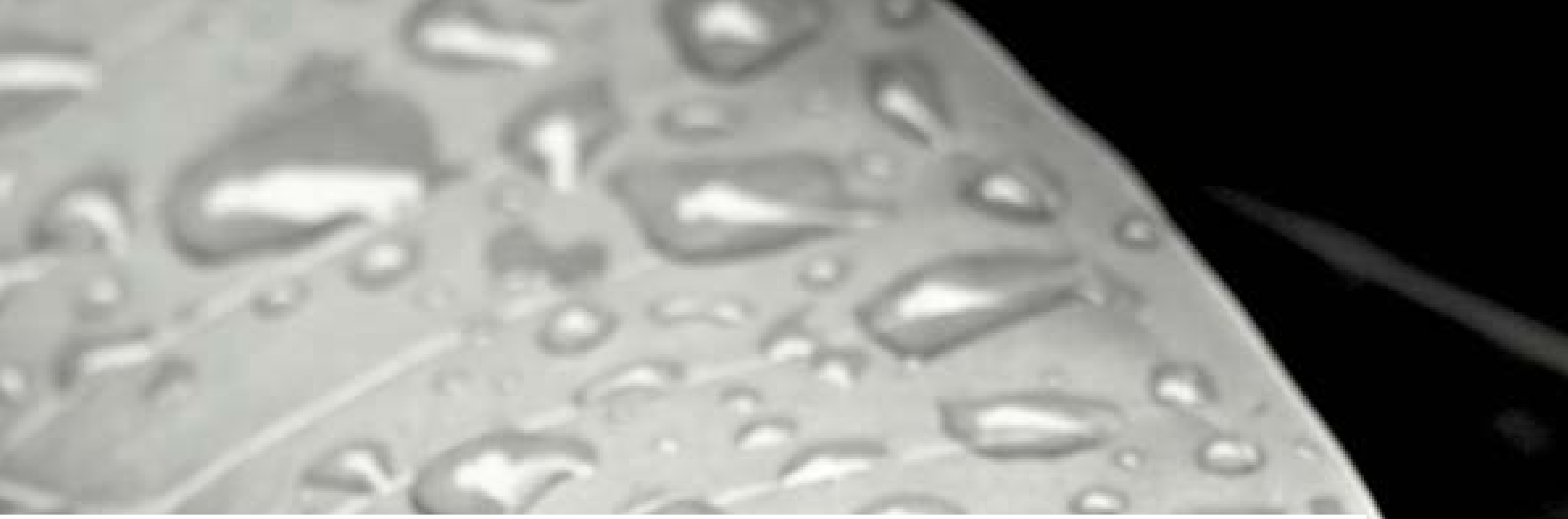
Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit and loss (FVTPL).

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The Company's principal financial assets are trade and other receivables (excluding Value Added Tax, prepayments and operating lease receivables) and cash and cash equivalents.

Financial assets are recognised and derecognised on trade-date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

All financial assets are initially measured at fair value, including transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value, excluding transaction costs.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

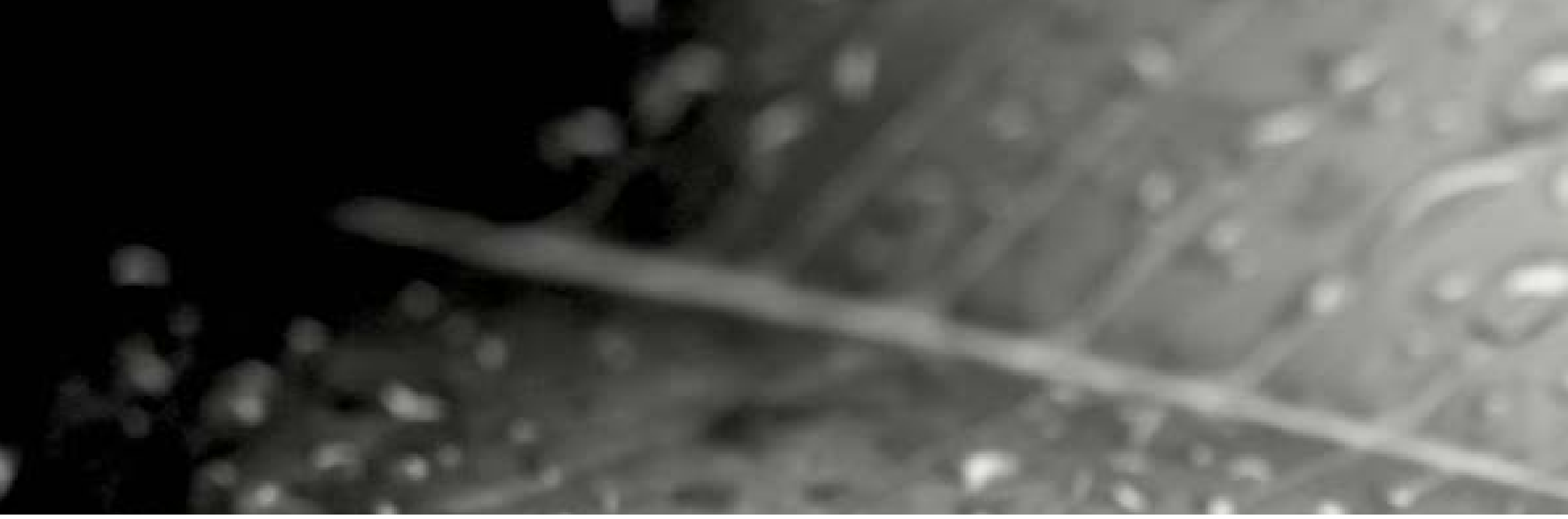
Trade and other receivables

Trade and other receivables are stated at invoice amounts less provision for impairment. A provision for impairment is established when there is objective evidence that the Company will not be able to collect the amounts due according to the original terms of the original receivable. Provisions for impairment are recorded in the year in which they are identified.

The average credit period on sales of goods is 7 days for domestic customers and 60-90 days for export customers. No interest is charged on trade receivables. The Company has recognized an allowance for doubtful debts against all receivables over 90 days because historical experience has been that receivables that are past due beyond 90 days are difficult to recover.

Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include cash on hand, in banks and investments in money market instruments, net of outstanding bank overdrafts and duly reconciled to the related items in the statement of financial position.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

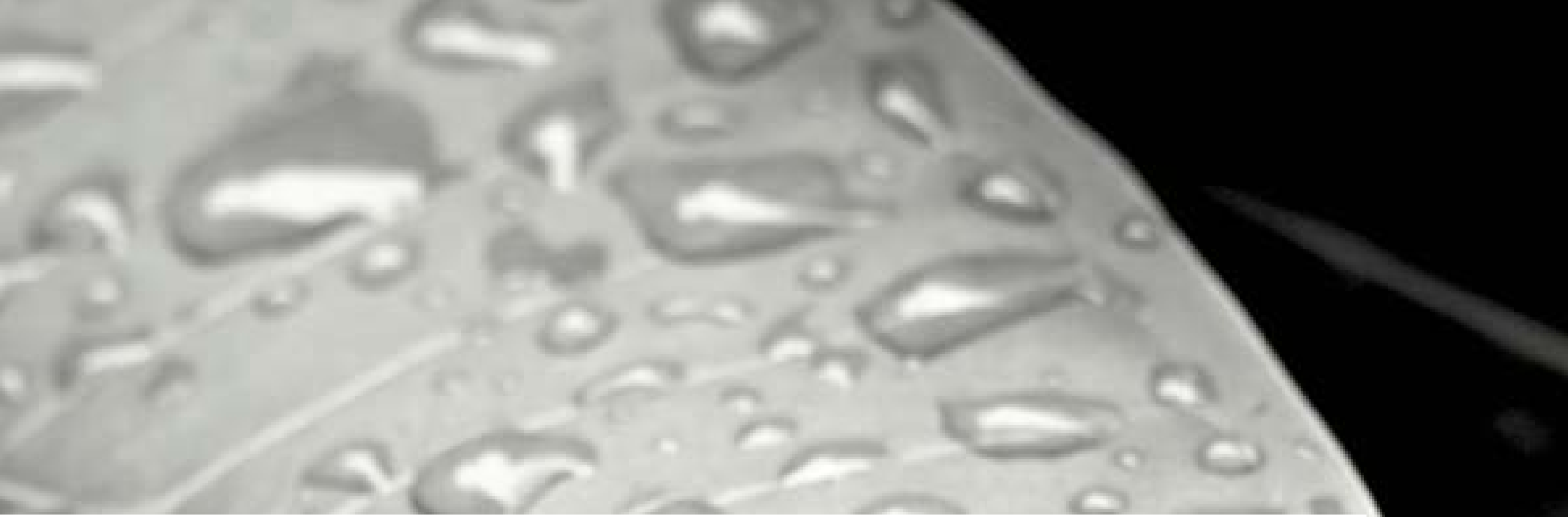
For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.



Notes to the financial statements

for the year ended 31 December 2016 (continued)

3. *Significant accounting policies (continued)*

Financial instruments (continued)

De-recognition of financial assets (continued)

On de-recognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss.

A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.
The Company's principal financial liabilities are trade and other payables (Value Added Taxation, revenue charged in advance and reduced subscriptions excluded).

Financial liabilities at FVTPL

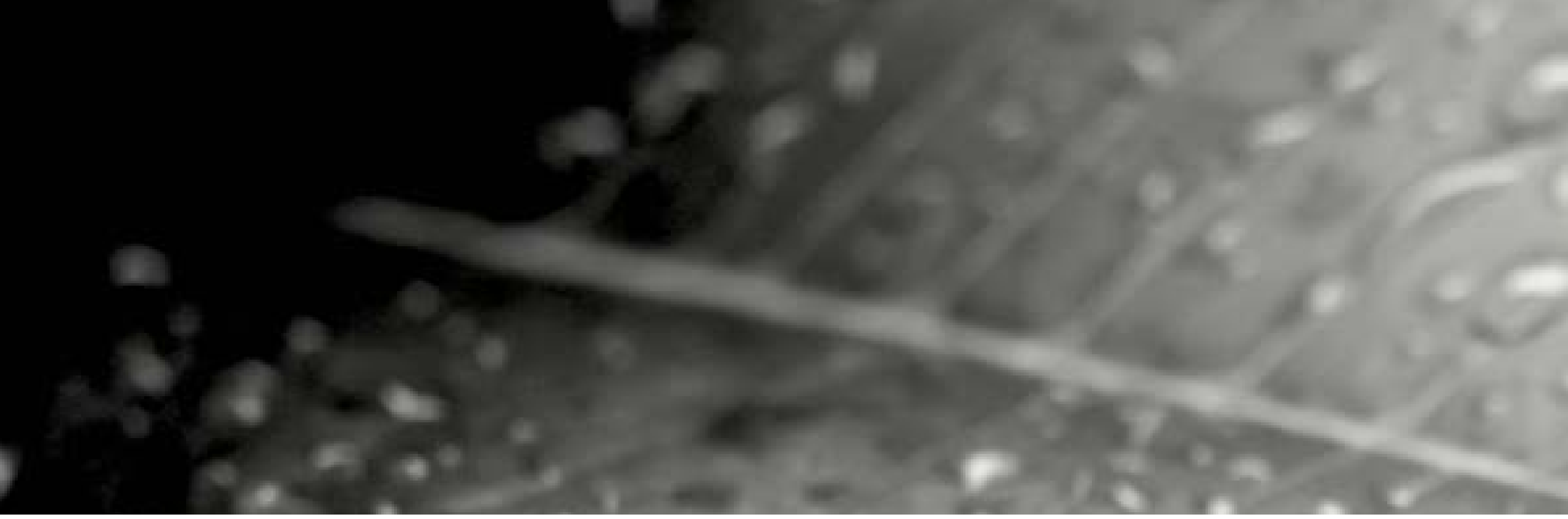
Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of profit or loss and other comprehensive income.

The fair value of a financial instrument on initial recognition is normally the transaction price unless the fair value is evident from observable market data.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Trade and other payables are stated at their nominal value. Trade payables are non-interest bearing and are normally settled between 15 to 30 days for local suppliers and up to 60 days for foreign suppliers after date of invoice.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

De-recognition of financial liabilities (continued)

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

4. Critical accounting judgements and key sources of estimation uncertainties

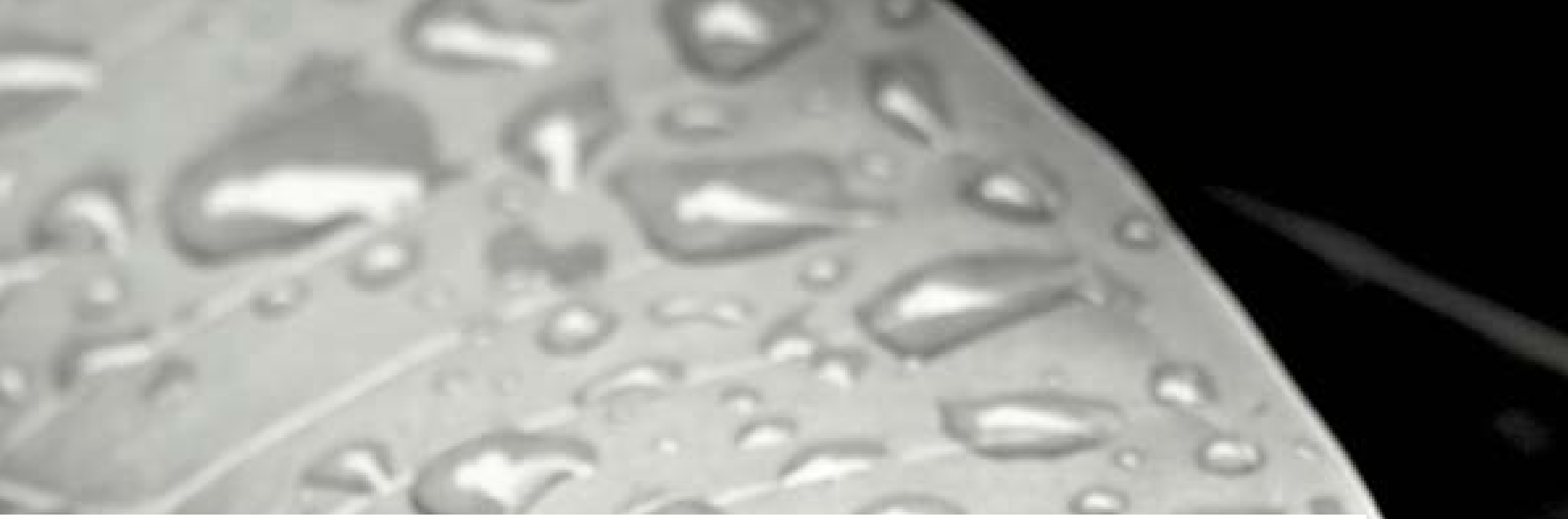
The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

These estimates are based on management's best knowledge of current events and actions they may undertake in the future but the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are regularly reviewed and revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas of critical judgements and key sources of estimation uncertainty are as set out below:

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

4. Critical accounting judgements and key sources of estimation uncertainties

Provisions (Continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Impairment provision

Management carries out a regular review of the status of trade receivables, inventories and other financial assets to determine whether there is any indication that these assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, which is then dealt with in the profit or loss. In determining whether an impairment loss should be recognized in the profit or loss, management checks whether there is objective evidence that the assets are impaired and that the fair values have declined.

Management estimates of the required provisions are based on critical evaluation of the economic circumstances involved, historical experience and other factors that are considered to be relevant.

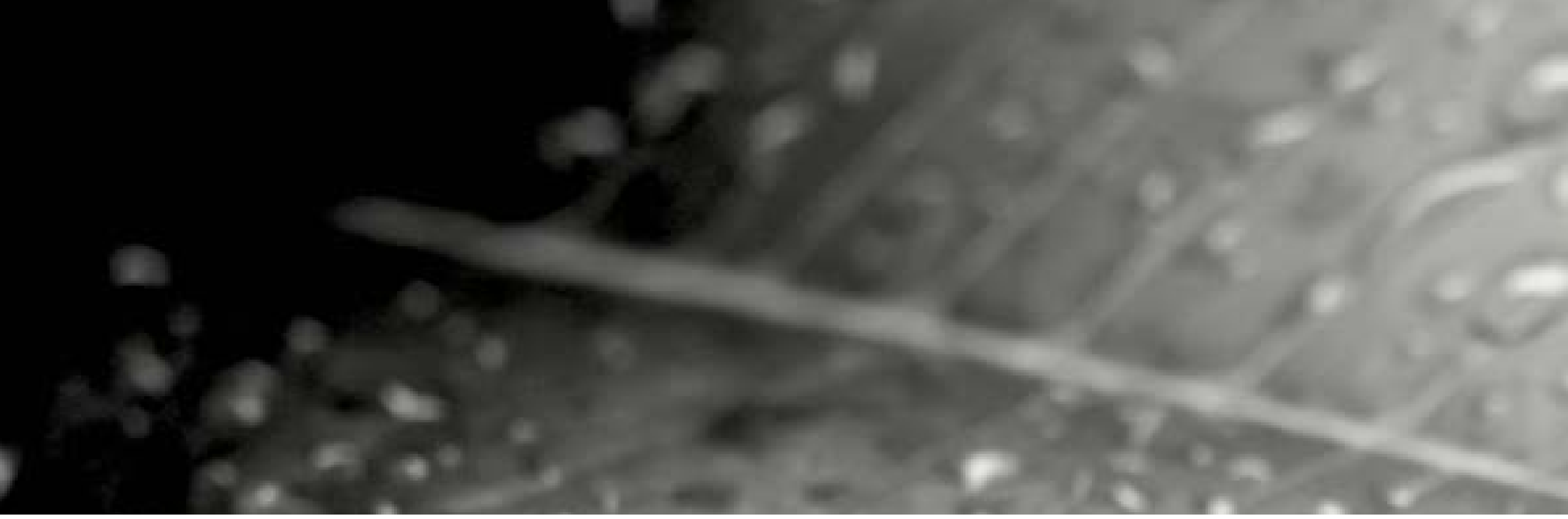
Property, plant and equipment

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.

Provisions for pending litigations

The Company is currently involved in various legal cases. Management regularly reviews the status of these cases and, in consultation with legal counsel, estimates the probable liabilities that could be incurred in the event that the Company loses the cases.

In determining whether to process the provisions in the financial statements, management critically evaluates the probability of losing these cases and only makes provision for the cases in which it is probable that future outflow of resources will be required to settle the obligations.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

4. Critical accounting judgements and key sources of estimation uncertainties (continued)

Defined benefit plan

The Company operates an unfunded defined benefit retirement plan for all employees. Employees do not contribute to the plan, the Company bears all cost. A provision is made in the financial statements for the estimated cost of the future benefits. The accuracy and completeness of such provisions is confirmed periodically by an independent actuarial valuation. Refer to note 25 of the financial statements for uncertainty and sensitivity disclosure.

Taxation

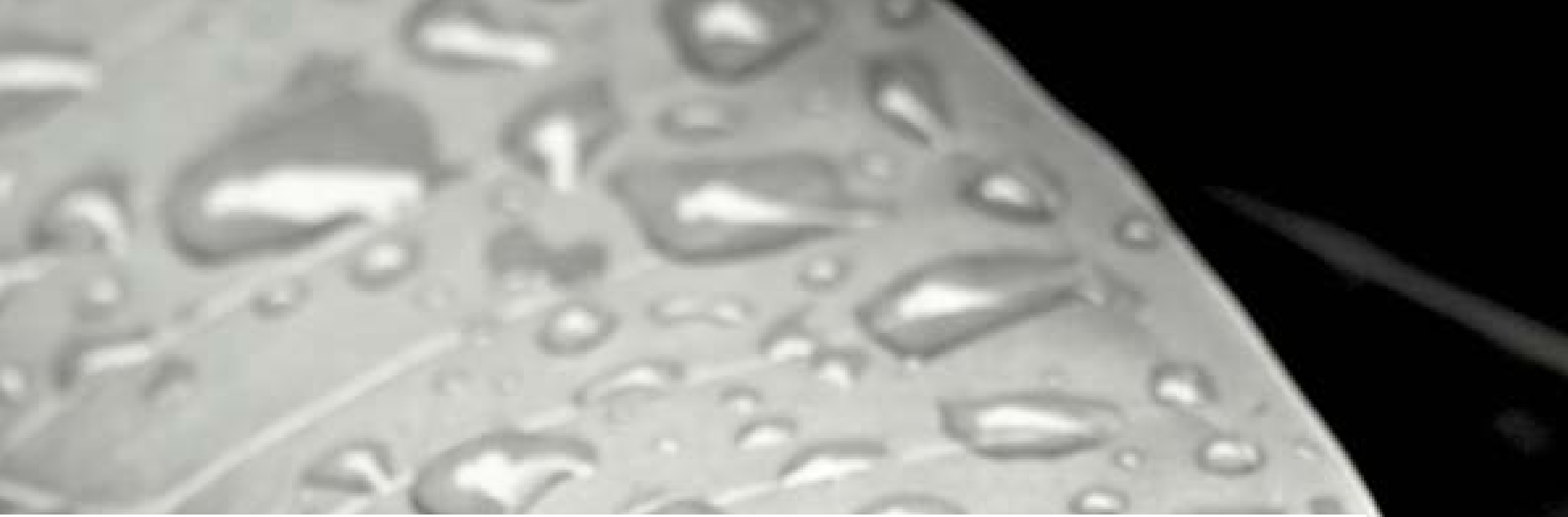
The Company is subjected to numerous taxes and levies by various government and quasi-government regulatory bodies. Generally, the Company recognises liabilities with regard to anticipated taxes and levies payable with utmost care and diligence. However, significant judgement is required in the interpretation and application of those taxes and levies. In the event that management assesses that the initially recorded liability was erroneous, the differences are charged to the profit and loss account in the period in which the differences are determined.

5. Operating segments

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. The Company has two operating segments namely domestic and export markets. The domestic market has reported revenue from both external customers and intersegment sales or transfers of 85 per cent (2015: 84 per cent) of the combined revenue of all operating segments, thus qualifying as reportable segment. The absolute measure of its reported profit or loss is more than 92 per cent in absolute amount, of the combined reported profit or loss of all operating segments.

Management monitors the operating results of business segments separately for the purpose of performance assessment and decision making on resource allocation. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. No operating segments have been aggregated to form the above reportable operating segments.

The domestic market segment is carrying on the business of manufacturing and selling of cigarettes in Tanzania. Brands sold in domestic market include Camel, Winston, LD, Club, Embassy, Portsman, Sweet Menthol, Iceberg, Safari and Crescent & Star.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

5. *Operating segments (continued)*

Export markets include Democratic Republic of Congo, Mozambique and Zambia. Export markets reported revenue of 15 per cent of the combined revenue (2015: 16 per cent).

Information about transactions with major customers

Below is the revenue from top ten domestic customers, the amounts are disclosed inclusive of VAT.

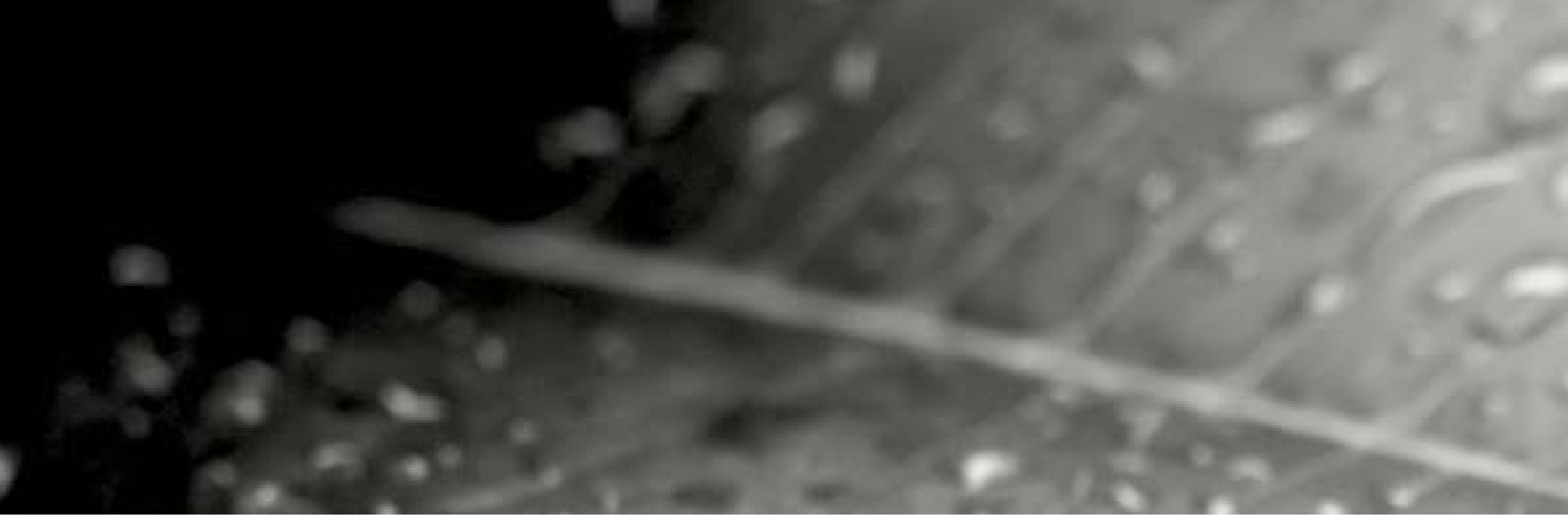
	2016 TZS M	2015 TZS M
Revenue from top ten customers	**113,841**	**96,436**

The reportable segment has more than 1,000 active customers.

Segment revenues and results

The following is an analysis of the Company's revenue and results from continuing operations by reportable segment.

	Segment revenue		Segment gross profit	
	2016 TZS M	**2015 TZS M**	**2016 TZS M**	**2015 TZS M**
Domestic Market	368,904	360,779	153,832	167,736
Export Market	64,150	70,956	17,060	11,261
	433,054	**431,735**	**170,892**	**178,997**
Marketing , selling & distribution expenses:				
- Export market			(8,114)	(3,310)
- Domestic market			(35,572)	(33,894)
Administration expenses			(33,170)	(38,167)
Other expenses			(306)	(11,197)
Other gains			1,045	1,005
Interest income			3,974	3,942
Interest expense			(116)	(80)
Profit before tax			**98,633**	**97,296**



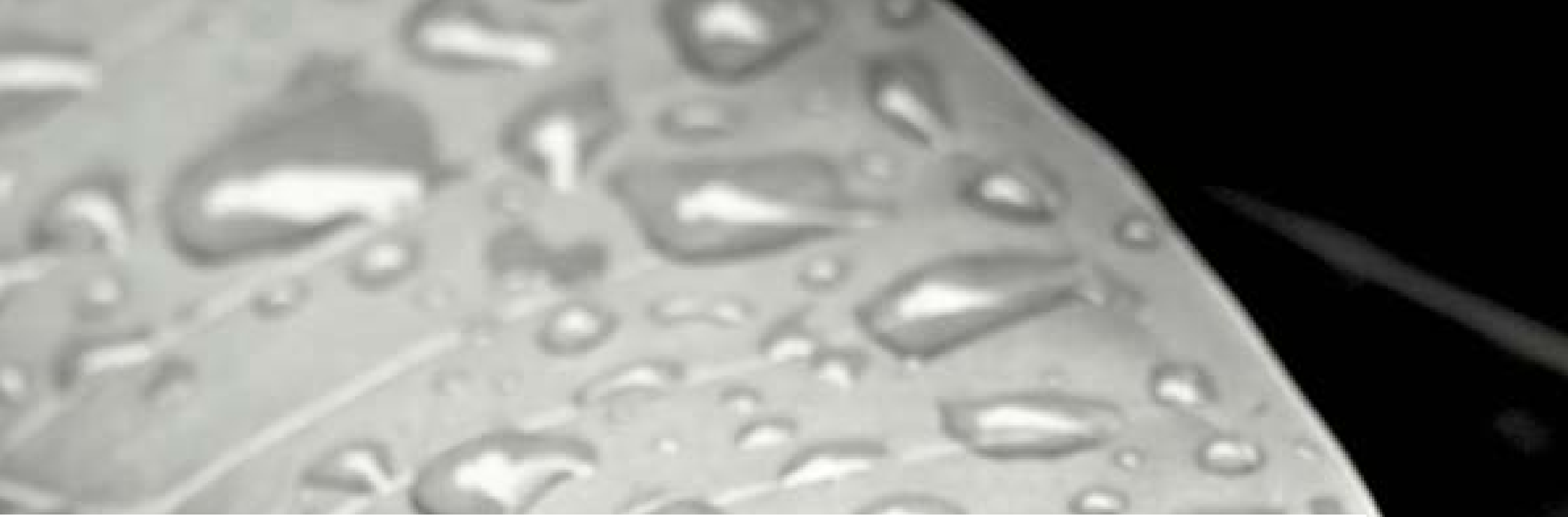
Notes to the financial statements

for the year ended 31 December 2016 (continued)

5. Operating segments (continued)

	2016 TZS M	2015 TZS M
Segment assets		
Property, plant and equipment	89,353	87,474
Intangible assets	-	-
Total segment non-current assets	**89,353**	**87,474**
Inventories	123,175	90,034
Trade and other receivables	13,331	8,357
Cash and cash equivalents	31,353	44,107
Total segment current assets	**167,859**	**142,498**
Consolidated assets	**257,212**	**229,972**
Segment liabilities		
Deferred tax liability	6,697	5,300
Defined benefit obligation	5,802	9,147
Total segment non-current liabilities	**12,499**	**14,447**
Trade and other payables	53,794	37,207
Income tax payable	4,203	3,978
Total segment current liabilities	**57,997**	**41,185**
Consolidated liabilities.	**70,496**	**55,632**

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to domestic market.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

5. *Operating segments (continued)*

Other segment information

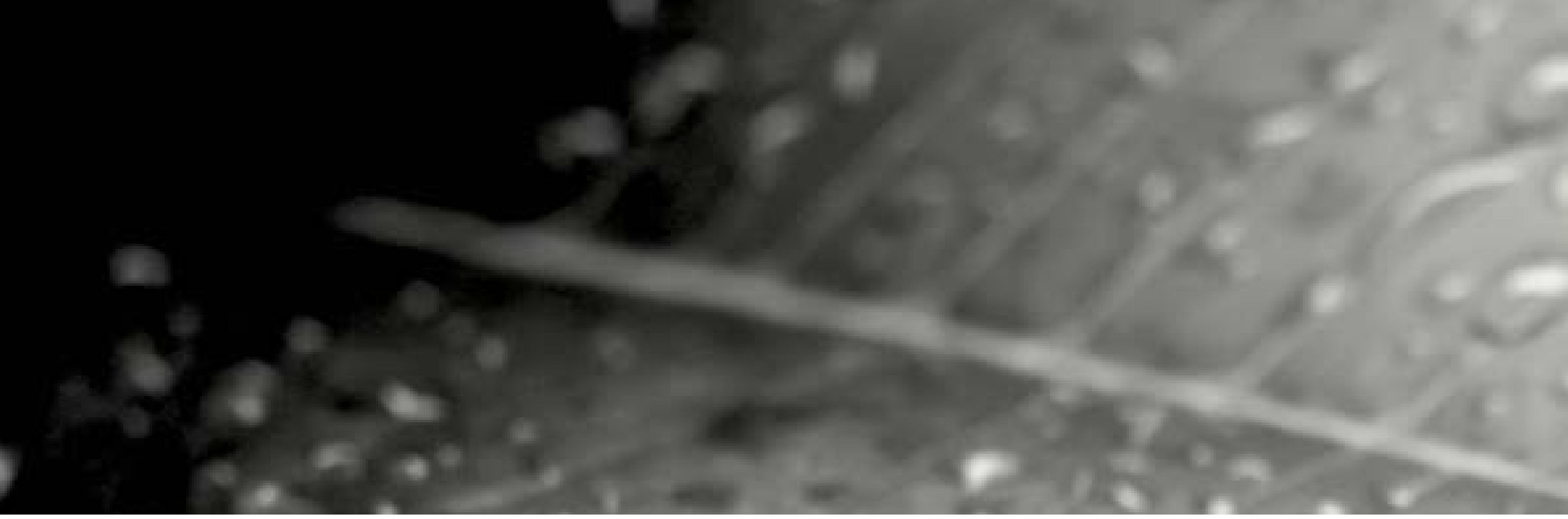
	Depreciation and amortization		Additions to non-current assets	
	2016 TZS M	**2015 TZS M**	**2016 TZS M**	**2015 TZS M**
Leasehold property	1,170	1,084	1,570	1,389
Plant and machinery	8,272	10,372	2,211	1,762
Other equipment	1,646	1,406	1,175	1,037
Motor vehicles	1,802	2,583	47	1,339
Capital work in progress	-	-	9,784	2,834
Intangible assets	-	264	-	-
Total	**12,890**	**15,709**	**14,787**	**8,361**

The following is an analysis of the operating segment revenue from its major products in domestic market.

	2016 TZS M	**2015 TZS M**
Embassy	60,940	47,800
Club	109,159	79,902
Portsman	74,434	99,268
Sweet Menthol	42,874	63,078
Safari	66,316	56,225
Others	15,181	14,506
	368,904	**360,779**

6. Cost of sales

Direct costs	84,843	86,544
Indirect costs	45,227	35,009
	130,070	**121,553**



Notes to the financial statements
for the year ended 31 December 2016 (continued)

7. Profit before tax

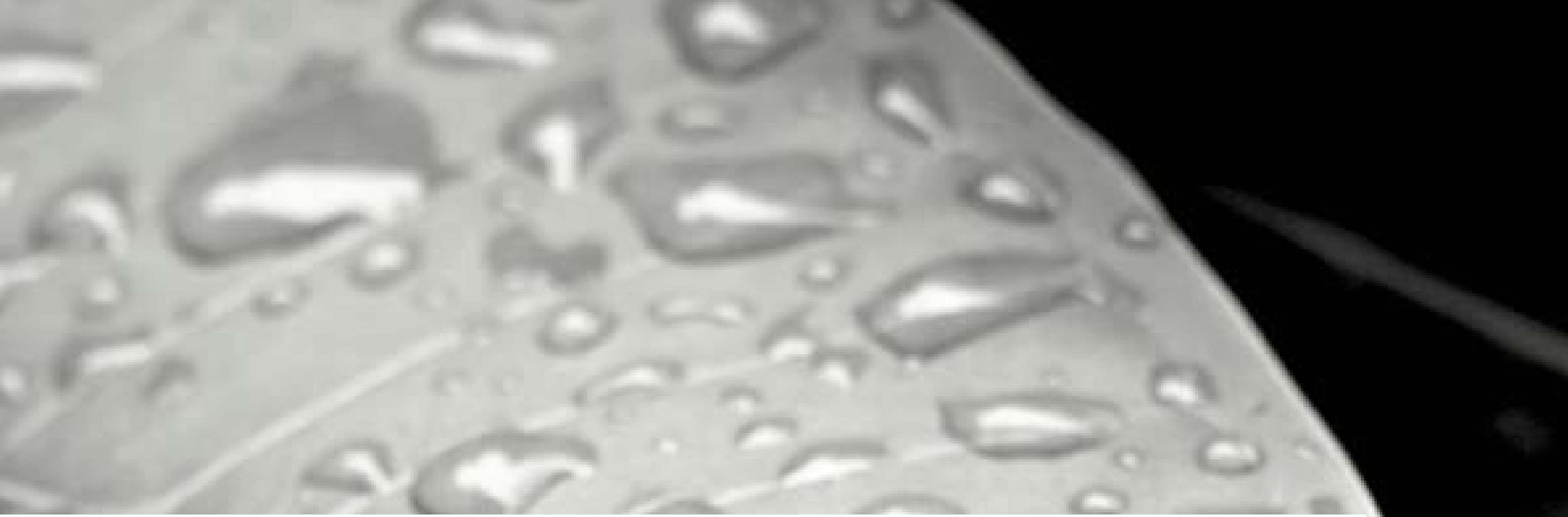
Profit before tax has been arrived at after charging/(crediting) the following:

	2016 TZS M	2015 TZS M
Directors' emoluments	5,391	4,628
Depreciation and amortization	12,890	15,709
Technical and management service fees	12,672	14,201
Auditors' remuneration	271	195
Donations	464	278
Gain on disposal of property, plant and equipment	(508)	(500)
Foreign exchange gain	494	1,599
Other gains and losses:		
Restructuring costs	-	4,748
Insurance proceeds	(172)	(141)
Short term benefits:		
- Salaries	21,929	18,195
- Bonus	1,715	2,281
- Fringe	4,024	4,083
- Vacation	866	1,636
- Other	778	1,158
Long term benefits:		
- Defined benefit obligation	2,327	1,933
- NSSF,PPF and LAPF contributions	2,126	1,668
Total employee benefits	**33,765**	**30,954**

8. Income tax
(a) Income tax expense

	2016 TZS M	2015 TZS M
Current tax - current year at 30%	30,206	32,432
- Prior year (over)/under provision	(50)	694
	30,156	33,126
Deferred taxation - current year credit	(18)	(1,679)
- prior year (over)/under provision	(174)	138
	(192)	(1,541)
Total income tax charge to profit and loss	**29,964**	**31,585**

Income tax expense represents the sum of the current tax and deferred tax.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

8. Income tax (continued)

(b) Reconciliation of accounting profit to tax charge

	2016 TZS M	2015 TZS M
Accounting profit before tax	**98,633**	**97,296**
Tax charge at 30%	29,590	29,189
Income subject to lower rate of tax or not subject to tax	(1,402)	(113)
Disallowable expenditure	2,000	1,677
Current tax relating to prior years	(50)	694
Deferred tax relating to prior years	(174)	138
Taxation charge	**29,964**	**31,585**

(c) Income tax on other comprehensive income

Deferred tax charge - Defined benefit plan actuarial gain	1,589	91

(d) Income tax payable

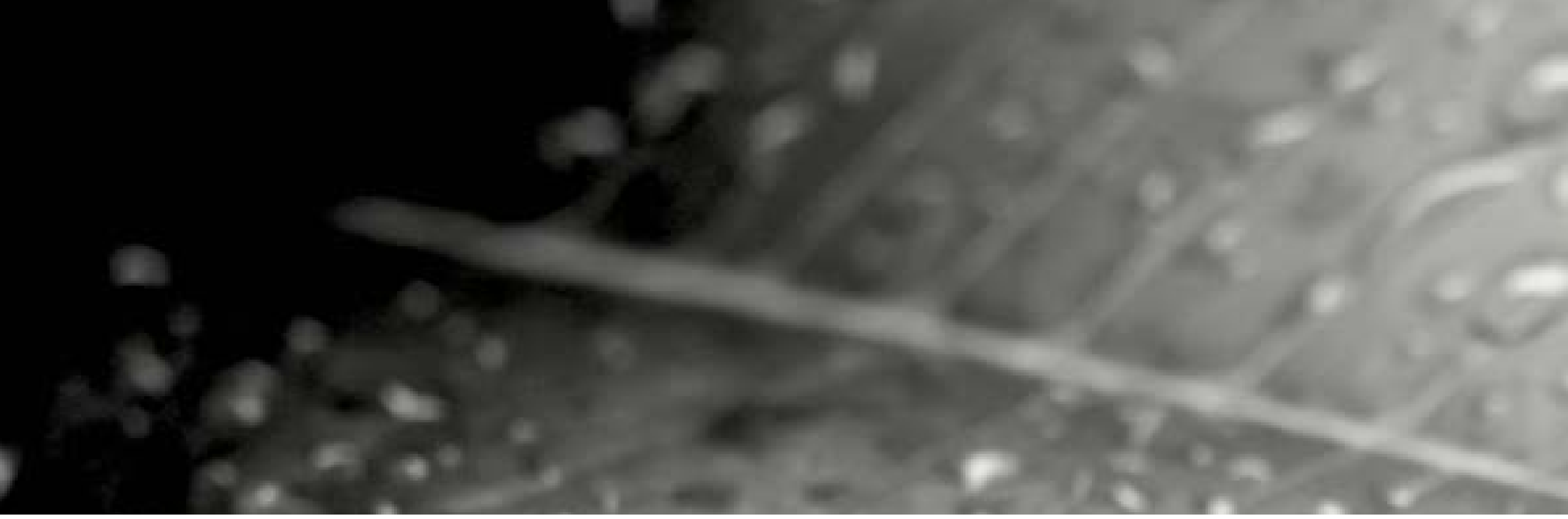
At beginning of the year	3,978	3,472
Charge for the year (Note 8(a))	30,156	33,126
Corporation tax paid	(29,931)	(32,620)
Balance at end of year	**4,203**	**3,978**

9. Earnings per share

The earnings per share is calculated by dividing the net profit attributable to ordinary shareholders for the year by the weighted average number of ordinary shares in issue during the year.

Profit attributable to ordinary shareholders (TZS M)	68,669	65,711
Weighted average number of ordinary shares in issue (million)	100	100
Earnings per share (TZS)	687	657

There were no potential dilutive shares outstanding at 31 December 2016 and at 31 December 2015.



Notes to the financial statements

for the year ended 31 December 2016 (continued)

	2016 TZS M	2015 TZS M
10. Dividend		
Prior year final dividend	30,000	40,000
Current year interim dividend	30,000	30,000
Total	60,000	70,000
Number of ordinary shares in issue (million)	100	100
Dividend per share (TZS)	600	700

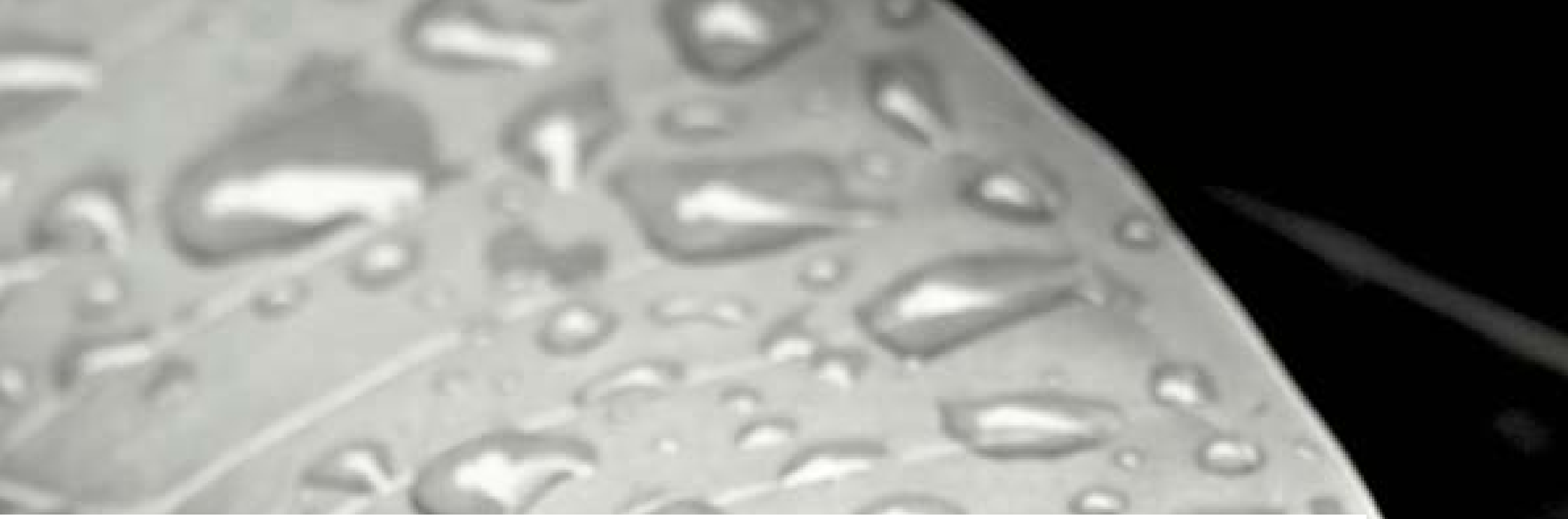
During the year, the Directors declared for 2015, a final ordinary gross dividend of TZS 20 billion or TZS 200 per share (2014: TZS 25 billion or TZS 250 per share) and a special gross dividend of TZS 10 billion or TZS 100 per share (2015: TZS 15 billion or TZS 150 per share). Later in the year, the Directors declared for 2016, an interim ordinary gross dividend of TZS 30 billion or TZS 300 per share, which was paid in November 2016 (2015: TZS 30 billion or TZS 300 per share).

After the year-end, the Directors have proposed the declaration of a final ordinary gross dividend of TZS 20 billion or TZS 200 per share (2015: TZS 20 billion or TZS 200 per share) and a special gross dividend of TZS 10 billion or TZS 100 per share (2015: TZS 10 billion or TZS 100 per share). The final ordinary and special dividends are subject to adoption by shareholders at the Annual General Meeting.

The total gross dividend paid in the current year was TZS 60 billion or TZS 600 per share (2015: TZS 70 billion or TZS 700 per share).

	2016 TZS M	2015 TZS M
11. Property, plant and equipment		
Cost	185,858	173,139
Accumulated depreciation	(96,505)	(85,665)
	89,353	**87,474**
Leasehold property	28,644	27,423
Plant and machinery	44,189	48,508
Other equipment	4,123	4,568
Motor vehicles	2,701	4,467
Capital work in progress	9,696	2,508
	89,353	**87,474**

No assets were pledged as security at year end or during the year (2015: None).



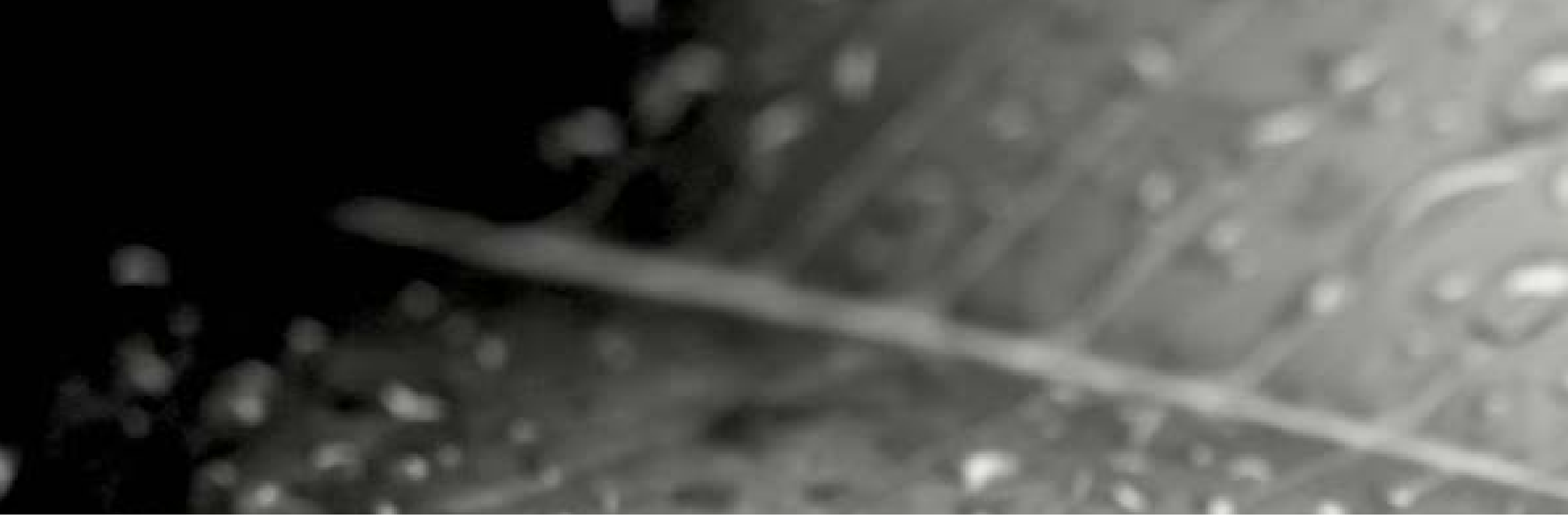
Notes to the financial statements
for the year ended 31 December 2016 (continued)

Property, plant and equipment (continued)

Cost	Leasehold property TZS M	Plant and machinery TZS M	Other equipment TZS M	Motor vehicles TZS M	Capital work in progress TZS M	Total TZS M
At 1 January 2015	34,705	106,321	9,733	17,027	167	167,953
Additions	1,389	1,762	1,037	1,339	2,834	8,361
Transfer in/(out)	240	54	12	187	(493)	-
Disposals	-	(455)	(273)	(2,447)	-	(3,175)
At 31 December 2015	**36,334**	**107,682**	**10,509**	**16,106**	**2,508**	**173,139**
Additions	1,570	2,211	1,175	47	9,784	14,787
Transfers in/(out)	821	1,744	31	-	(2,596)	-
Disposals	-	(11)	(66)	(1,991)	-	(2,068)
At 31 December 2016	**38,725**	**111,626**	**11,649**	**14,162**	**9,696**	**185,858**
Accumulated depreciation						
At 1 January 2015	7,827	49,008	4,797	11,437	-	73,069
Charge for the year	1,084	10,372	1,406	2,583	-	15,445
Disposals	-	(206)	(262)	(2,381)	-	(2,849)
At 31 December 2015	**8,911**	**59,174**	**5,941**	**11,639**	-	**85,665**
Charge for the year	1,170	8,272	1,646	1,802	-	12,890
Disposals	-	(9)	(61)	(1,980)	-	(2,050)
At 31 December 2016	**10,081**	**67,437**	**7,526**	**11,461**	-	**96,505**
Net book value						
At 31 December 2016	**28,644**	**44,189**	**4,123**	**2,701**	**9,696**	**89,353**
At 31 December 2015	**27,423**	**48,508**	**4,568**	**4,467**	**2,508**	**87,474**

Capital work in progress relates to the cost of various capital expenditure items which were under construction or were not received at year end.Included in property, plant and equipment are assets with an original cost of TZS 16,465 million (2015: TZS 9,680 million) which are fully depreciated and whose normal depreciation charge for the year would have been TZS 1,510 million (2015: TZS 2,953 million). There were no idle assets included in property, plant and equipment.

No items of property, plant and equipment have been pledged as collateral for liabilities.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

12. Intangible assets

	2016 TZS M	2015 TZS M
Cost	**2,646**	**2,646**
Amortization		
At beginning of the year	2,646	2,382
Charge for the year	-	264
At end of the year	**2,646**	**2,646**
Net book value	-	-

Intangible assets acquired separately are carried at cost less accumulated amortization. Amortization is recognized on a straight-line basis over its estimated useful life. The estimated useful life and amortization method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis.

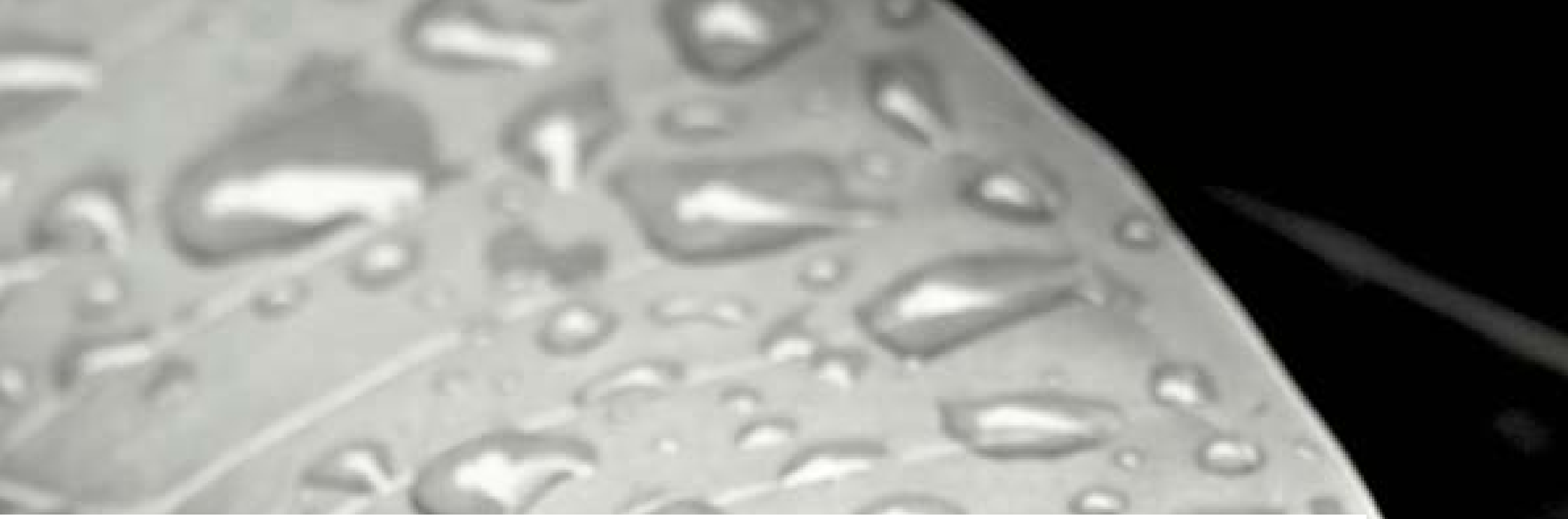
The intangible assets relate to acquired cigarette trademarks. The estimated useful life from year of acquisition is 10 (ten) years. There are no intangible assets resulting from internal developments or business combinations.

13. Investment in subsidiary

	2016 TZS M	2015 TZS M
TCC (Kenya) Limited	534	534
Allowance for impairment	(534)	(534)
	-	-

Investment in subsidiary represents the shares held in TCC (Kenya) Limited, a wholly-owned subsidiary, which is incorporated in Kenya under the Kenyan Companies Act. The principal activities of the subsidiary are the importation, distribution and wholesaling of tobacco products. However, the Company has not been trading since 31 December 2002 and full impairment provision on the investment has been made in the financial statements.

The subsidiary has not been consolidated because the parent Company has determined that the investment is not material and has no impact to the reported profit or loss and its statement of financial position. The Company has also taken advantage of exemptions available under paragraph 4 of IFRS 10, Consolidated financial statements.



Notes to the financial statements

for the year ended 31 December 2016 (continued)

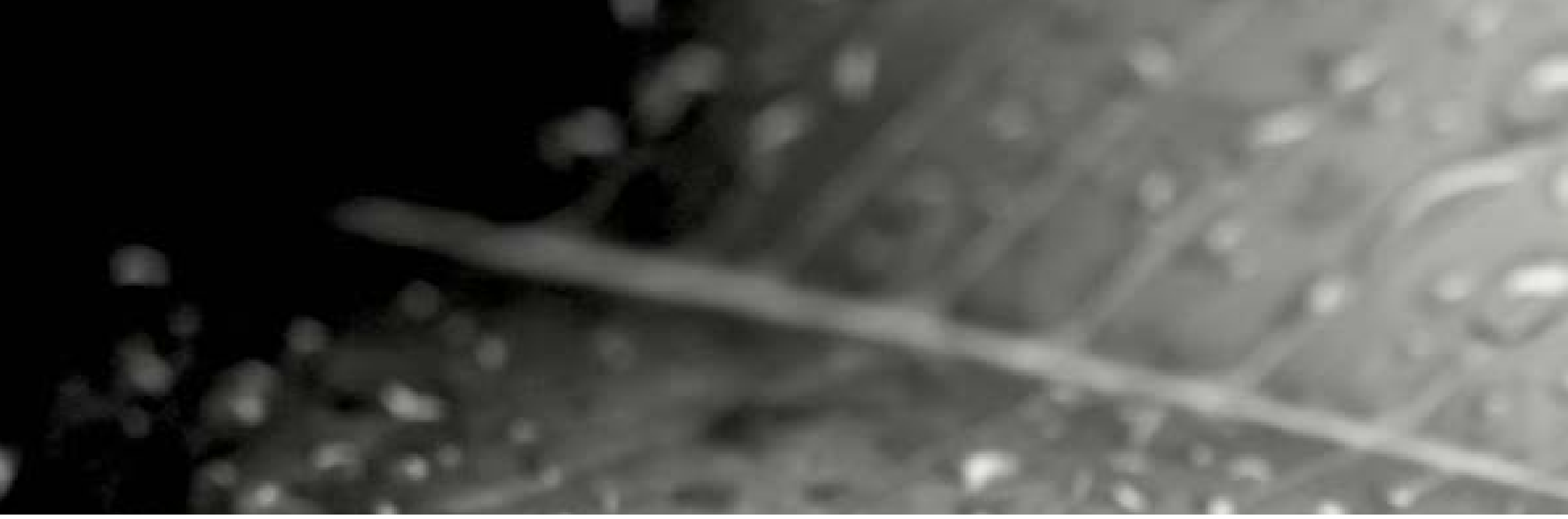
14. Inventories

	2016 TZS M	2015 TZS M
Raw materials	94,951	72,294
Work in progress	210	273
Consumable stores	4,081	3,426
Goods in transit	972	1,113
Finished goods	23,581	13,548
	123,795	90,654
Allowance for obsolete materials	(620)	(620)
	123,175	90,034
Inventories carried at net realizable value below cost	-	-

No inventory has been pledged as collateral for liabilities and all inventory is carried at cost which represents the carrying amount.

15. Trade and other receivables

	2016 TZS M	2015 TZS M
Trade receivables	3,709	5,468
Amounts due from related companies (Note 21 (ii))	5,086	1,788
Prepayments and other receivables	5,742	2,303
	14,537	9,559
Allowance for doubtful receivables	(1,206)	(1,202)
	13,331	8,357
Movement in the allowance for doubtful debts:		
At the beginning of the year	1,202	1,111
Amounts recovered during the year	(43)	(99)
Increase in allowance during the year	47	190
At the end of the year	1,206	1,202



Notes to the financial statements
for the year ended 31 December 2016 (continued)

16. Cash and bank balances

	2016 TZS M	2015 TZS M
Cash in hand	-	9
Bank balances	31,353	44,098
	31,353	**44,107**

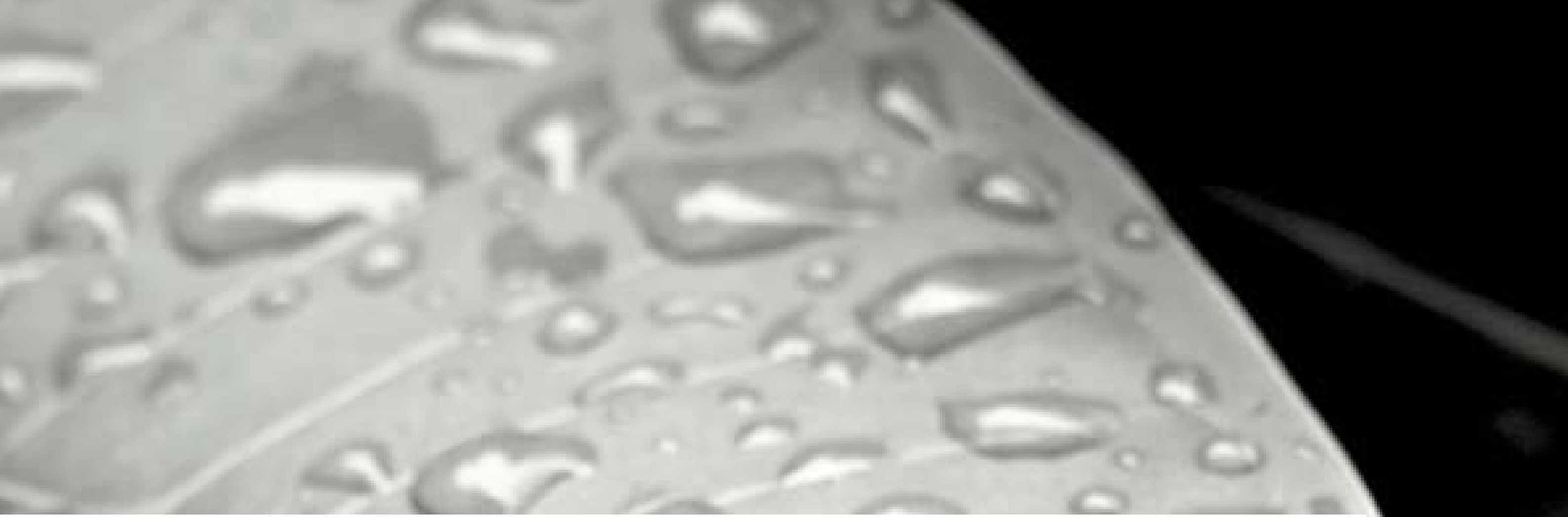
None of cash and bank balances held are restricted for use by the Company.

17. Share capital

	2016 TZS M	2015 TZS M
Authorized:		
125,000,000 Ordinary shares of TZS 20 each	**2,500**	**2,500**
Issued and fully paid:		
100,000,000 Ordinary shares of TZS 20 each	**2,000**	**2,000**

There were no movements in the share capital of the Company during the year.
The Company has one class of ordinary shares, which carries no fixed right to income.
The ownership structure of the Company is as set out below:

	2016 Ordinary Shares Million	2015 Ordinary Shares Million
Resident shareholders:		
General public	7.0	16.8
Parastatal Pension Fund	3.0	3.0
United Republic of Tanzania	2.2	2.2
Public Service Pension Fund	1.0	1.0
The Local Authorities Provident Fund	0.6	0.6
Government Employees Provident Fund	0.5	0.5
Trustees of the TCC Employees Share Option Scheme	0.3	0.3
	14.6	24.4
Non-resident shareholders:		
JT International Holding B.V.	75.0	75.0
Kingsway Fund	9.3	-
Neon Liberty Emerging Markets Fund	0.6	0.6
Cavenham Private Equity And Directs	0.5	-
	85.4	**75.6**
Total ordinary shares in issue	**100.0**	**100.0**



Notes to the financial statements
for the year ended 31 December 2016 (continued)

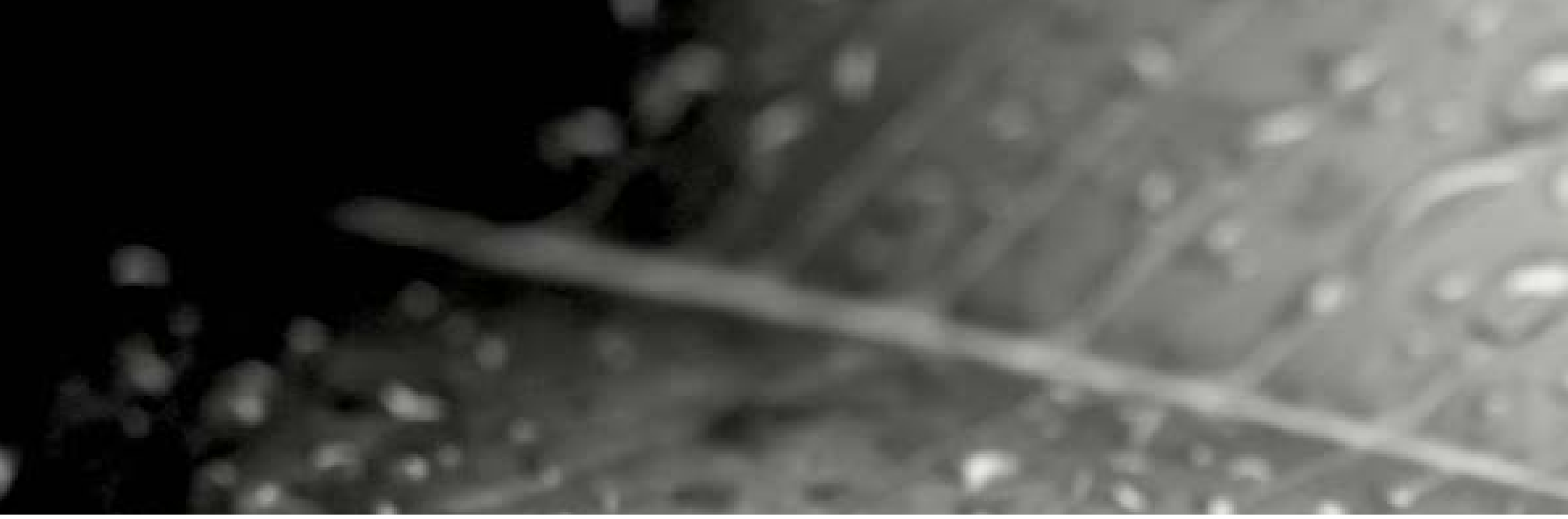
18. Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the liability method, using the enacted tax rate of 30%.

	2016 TZS M	2015 TZS M
The net deferred tax liability is attributable to the following:		
Accelerated capital allowances	9,650	9,976
Provisions	(1,213)	(1,932)
Defined benefit obligation provision	(1,740)	(2,744)
	6,697	**5,300**

The movement on the deferred tax account is as follows:

	Opening balance TZS M	Recognized in P&L TZS M	Recognized in OCI TZS M	Closing balance TZS M
Deferred tax liabilities / (assets) in relation to:				
- Property, plant and equipment	9,976	(326)	-	9,650
- Provisions	(1,932)	719	-	(1,213)
- Defined benefit obligation	(2,744)	(585)	1,589	(1,740)
	5,300	**(192)**	**1,589**	**6,697**



Notes to the financial statements
for the year ended 31 December 2016 (continued)

	2016 TZS M	2015 TZS M
19. Trade and other payables		
Trade payables	10,066	4,057
Amounts due to related companies (Note 21) (ii)	6,004	2,688
Excise duty and VAT payable	12,080	9,764
Other liabilities and accruals	21,631	14,862
Provisions (Note 20)	4,013	5,836
	53,794	**37,207**
20. Provisions		
Bonus provision	3,187	4,336
Provision for leave pay	826	1,500
	4,013	**5,836**

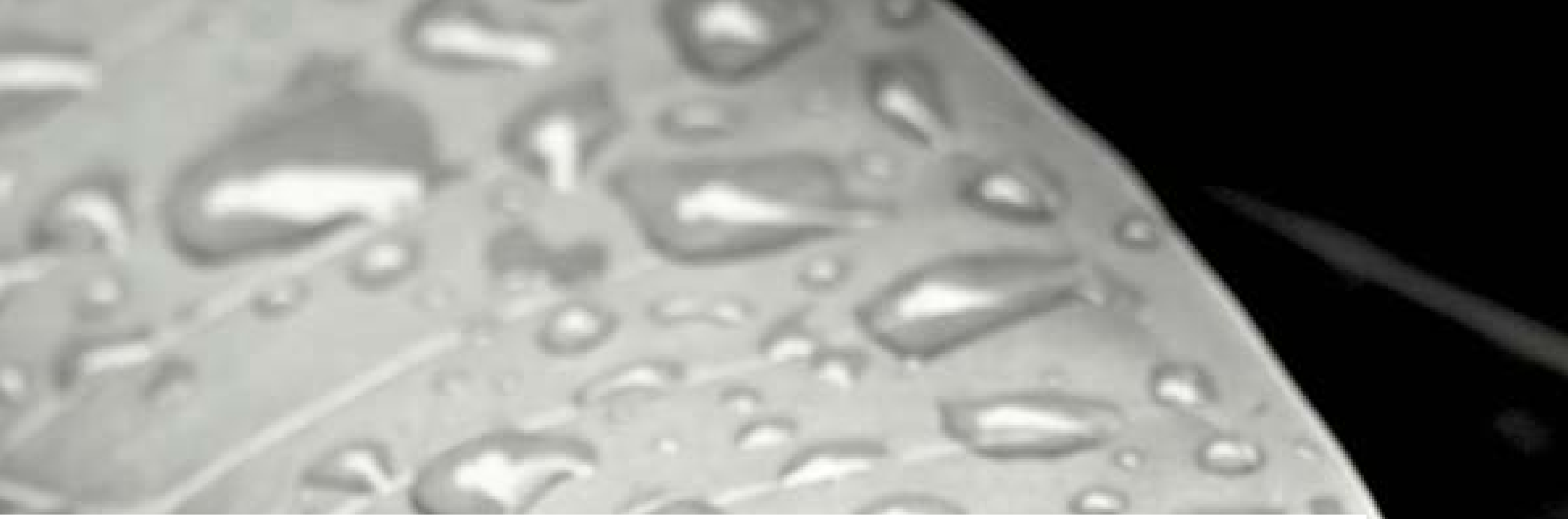
	Opening balance TZS M	Utilized/ reversed TZS M	Raised TZS M	Closing balance TZS M
Bonus provision	4,336	(4,336)	3,187	3,187
Provision for leave pay	1,500	(1,500)	826	826
	5,836	**(5,836)**	**4,013**	**4,013**

21. Related party transactions and balances

Related companies

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Company transacts with the ultimate holding Company and other companies related to it by virtue of common shareholding. All transactions with related parties are made at an arm's length in the normal course of business and on normal commercial terms and conditions.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

21. Related party transactions and balances (continued)

Related companies (continued)

During the year, the following transactions were entered into with related parties:

Contracts with related parties

The Company has agreements with JT International SA and JT International Holding B.V for provision of managerial, technical and administrative services since 1 January 2008. Amounts payable under these agreements are included under purchase of goods and services below. The charge for the year is TZS 12,672 million (2015: TZS 14,201 million).

Other transactions with related parties

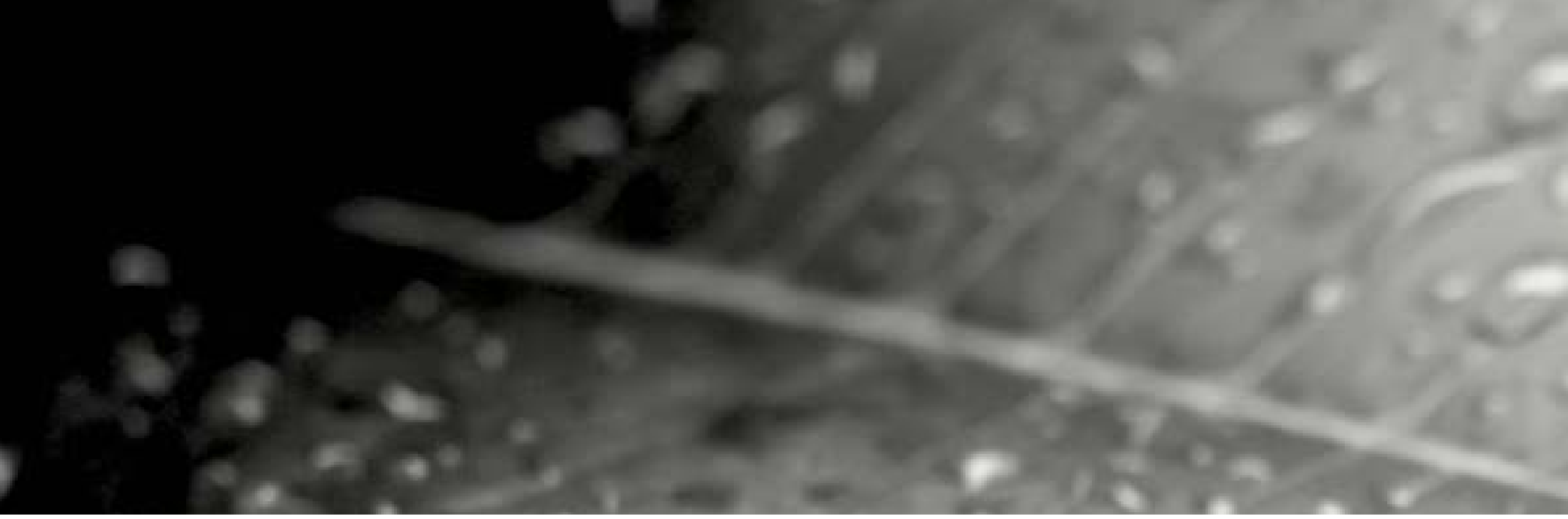
i. Purchase and sales of goods and services

	2016 TZS M	2015 TZS M
Purchases from JT International companies		
JTI Leaf Services Ltd	59,998	14,643
JT International Holding B.V.	12,410	13,186
JT International SA	11,575	9,222
Others	2,021	16,904
	86,004	53,955

	2016 TZS M	2015 TZS M
Sales to JT International Companies		
JT International SA	5,312	501
Others	265	348
	5,577	849

ii. Related party balances

Outstanding balances with related companies as at the year-end are shown on the statement of financial position and are shown in notes 15 and 19 of these financial statements.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

21. Related party transactions and balances (continued)

ii. Related party balances (continued)

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognized in the year for bad and doubtful debts in respect of the amounts owed by related parties.

iii. Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all Directors.

The Company does not have the following schemes for its key personnel management.
- Post-employment benefits
- Other longer-term benefits
- Termination benefits

The remuneration of Directors and other key members of management during the year were as

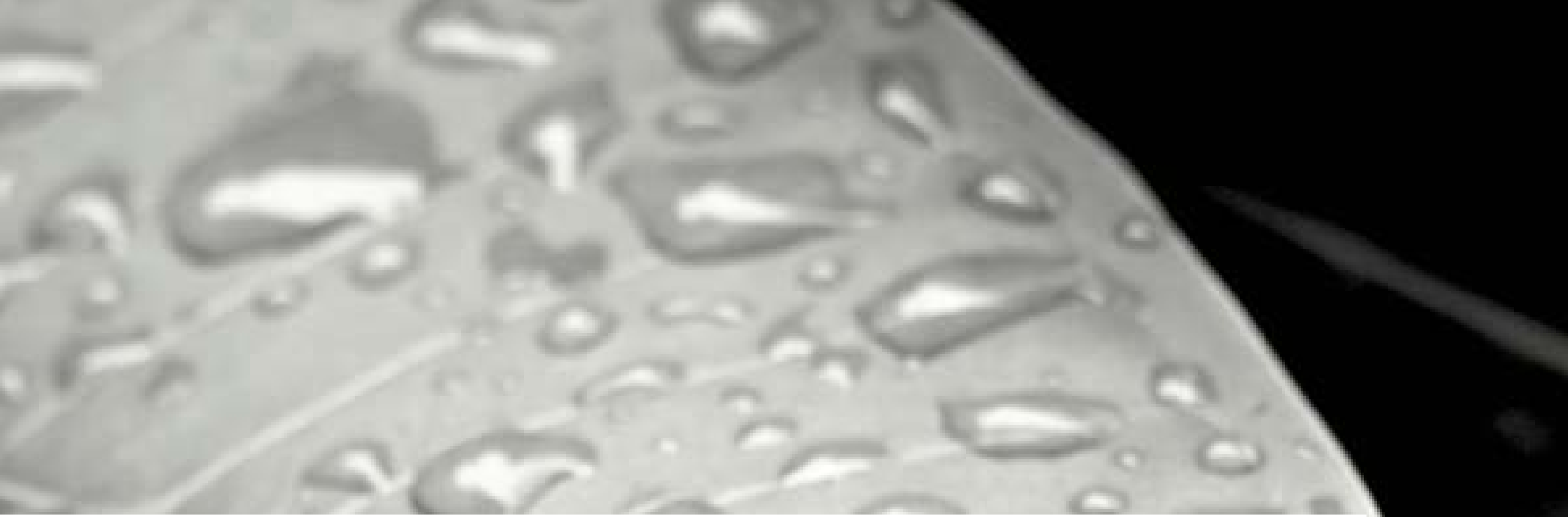
	2016 TZS M	2015 TZS M
Key management remuneration	5,371	4,615
Non-executive Directors emoluments	20	13
	5,391	4,628

22. Commitments

i. Capital commitments

Authorized but not contracted for	30,106	15,549
Authorized and contracted for	2,424	3,512
	32,530	**19,061**

The capital commitments relate to purchase of properties, machinery and equipment to enhance safety, production capacity, operational efficiency and product quality as well as improvement of the distribution fleet and employee welfare.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

22. Commitments (continued)

ii. Other commitments

As at 31 December 2016 the Company had a commitment for purchase of leaf totaling TZS 658 million (2015: TZS 12,297 million).

23. Contingent liabilities

The Company is currently involved in a number of commercial and labour cases. However, no provision has been made in these financial statements because in the opinion of the Directors, the amounts, which are probable to be incurred by the Company in the event that it losses the related cases, are not likely to be material.

24. Bank overdraft and other facilities

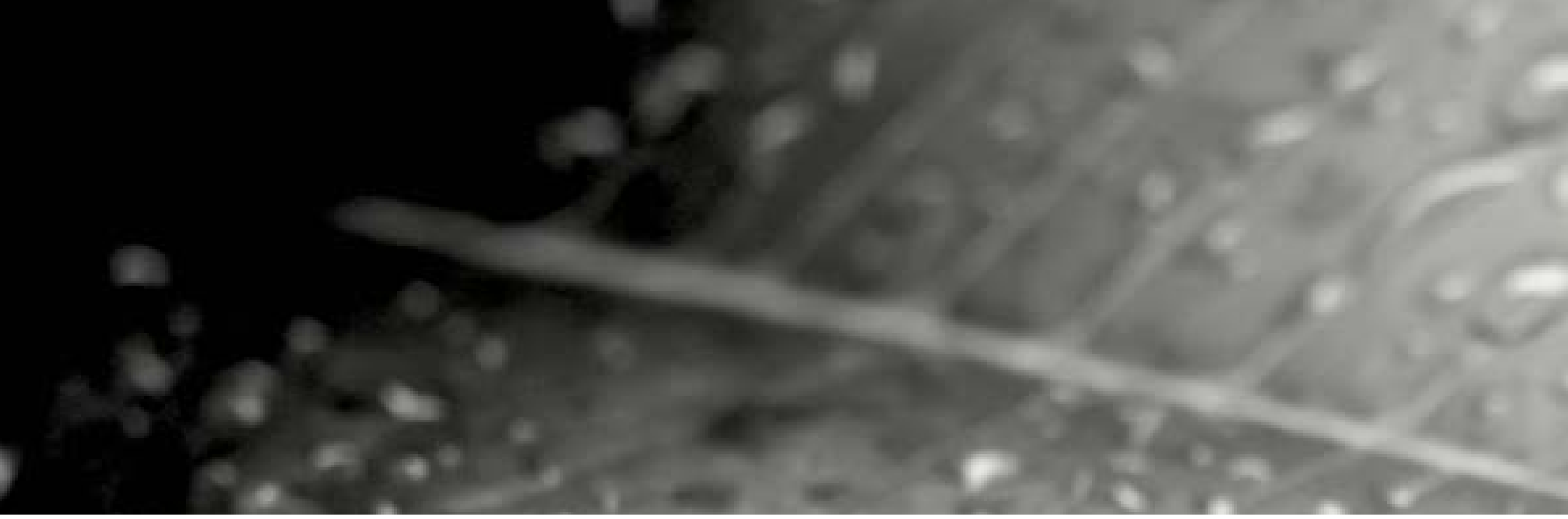
The Company had an overdraft facility with Standard Chartered Bank (Tanzania) Limited up to a limit of TZS 3,000,000,000 in order to meet its working capital requirements. The facility is secured by a guarantee from the ultimate parent company Japan Tobacco Inc. The effective interest rate for the facility is the 91 Days Treasury Bills plus 2.7% p.a. and is charged on daily overdrawn amount and repayable monthly (minimum price floor of 6%). As at 31 December 2016 and during the year, there were no drawdowns made by the Company on this facility (2015: NIL).

The Company also operates a Manufacture under Bond (MUB) facility under which export goods are produced. The facility enables the Company to import raw materials for export manufacture duty free. The facility is guaranteed by Japan Tobacco International S.A. through Standard Chartered Bank Tanzania. The bond is limited to TZS 7,000,000,000 with the interest charged at 0.7% p.a.

25. Retirement benefits

Statutory retirement benefits

The Company has an obligation to make statutory contributions for retirement benefits of its employees. All eligible employees of the Company are members of the National Social Security Fund of Tanzania (NSSF) or Parastatal Pension Funds (PPF) or LAPF Pensions Fund, to which the Company contributes 15% and 15% and the employee contributes 5% and 5% of the gross salaries respectively every month. During the year ended 31 December 2016, the Company's contributions to the funds amounted to TZS 2,126 million (2015: TZS 1,668 million).



Notes to the financial statements
for the year ended 31 December 2016 (continued)

25. Retirement benefits (Continued)

Defined benefit obligation

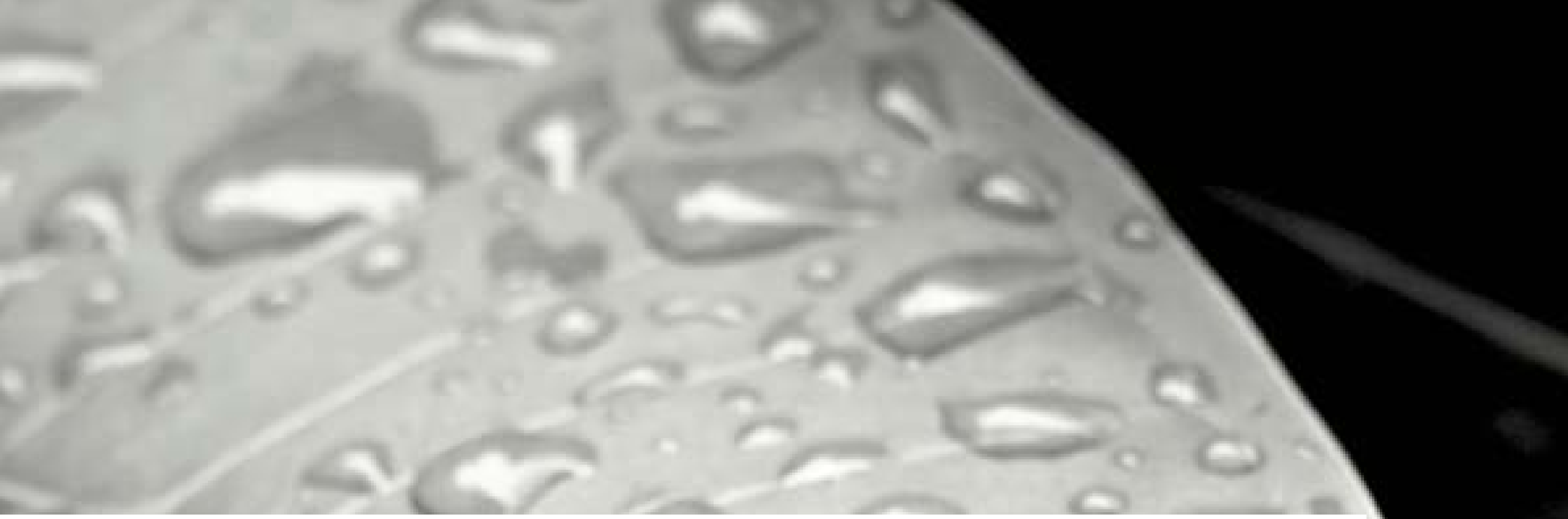
The Company operates an unfunded defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits of one month salary for every year of continuous service for 1 to 9 years and an additional 10% for every additional year of continuous service beyond 10 years.

The Company provides for retirement benefit cost based on assessments made by independent actuaries. The most recent actuarial valuation was carried out at 31 December 2016 by Towers Watson, Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016 Percentage	**2015 Percentage**
Discount rate	18.3	17.60
Salary inflation	8.6	11.00
Cost of living increase	5.6	8.00

Amount recognized in statement of profit or loss and other comprehensive income in respect of this defined benefit obligation:	**2016 TZS M**	**2015 TZS M**
- Current service cost	658	591
- Past service cost	-	-
- Interest cost	1,669	1,342
- Actuarial (gain)/loss recognized in Other Comprehensive Income	(5,296)	(304)
Net (gain)/loss for the year	**(2,969)**	**1,629**



Notes to the financial statements
for the year ended 31 December 2016 (continued)

25. Retirement benefits (continued)

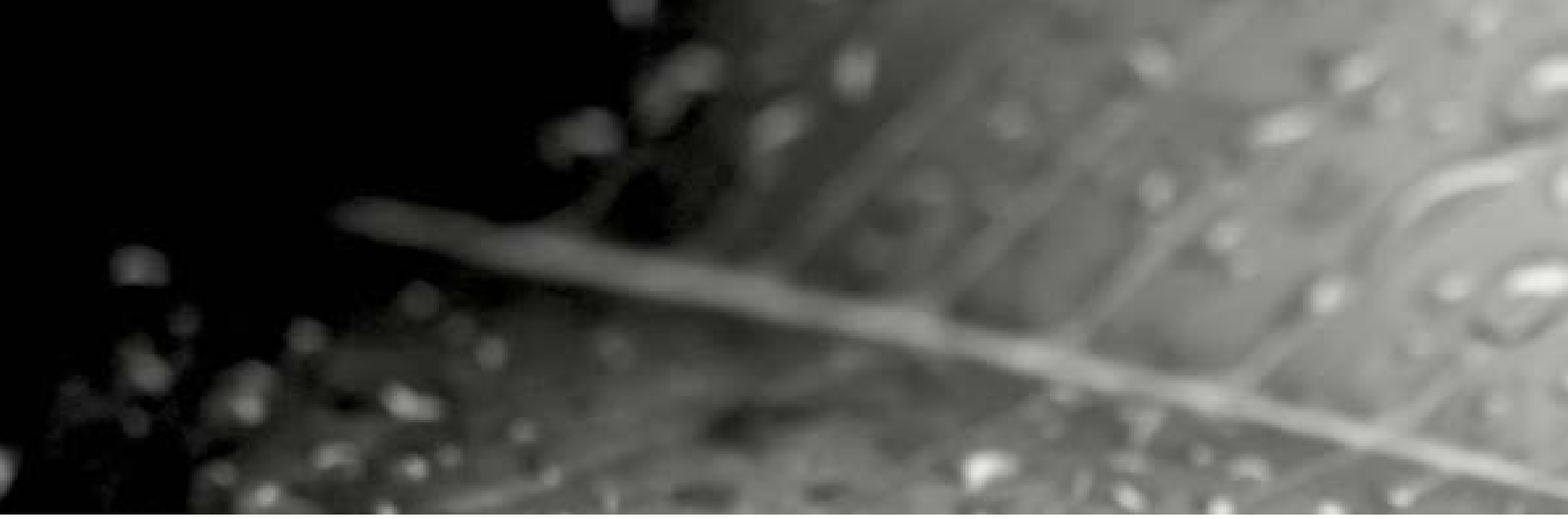
The movement in the Company retirement benefit obligation was as follows:-

	2016 TZS M	2015 TZS M
Opening defined benefit obligation	9,147	7,653
Current service cost	658	591
Past service cost	-	-
Interest cost	1,669	1,342
Actuarial gain recognized	(5,296)	(304)
Benefits paid	(376)	(135)
Closing defined benefit obligation	**5,802**	**9,147**

Sensitivities

Salary rate sensitivity	**Central Scenario** *11.00%* **TZS M**	**0.5% Increase** *11.50%* **TZS M**	**0.5% Decrease** *10.50%* **TZS M**
Defined Benefit Obligation	5,802	6,068	5,587
Gross service costs excluding interest	367	388	350
Expense / net interest cost	1,103	1,155	1,060
% change in Defined Benefit Obligation		4.58%	-3.71%
% change in Gross service costs		5.72%	-4.63%
% change in Expense / net interest cost		4.71%	-3.90%

Discount rate sensitivity	**Central Scenario** *17.60%* **TZS M**	**0.5% Increase** *18.10%* **TZS M**	**0.5% Decrease** *17.10%* **TZS M**
Defined Benefit Obligation	5,802	5,591	6,032
Gross service costs excluding interest	367	350	385
Expense / net interest cost	1,103	1,090	1,117
% change in Defined Benefit Obligation		-3.64%	3.96%
% change in Gross service costs		-4.63%	4.90%
% change in Expense / net interest cost		-1.18%	1.27%



Notes to the financial statements
for the year ended 31 December 2016 (continued)

26. Operating lease arrangements

Operating leases relate to leases for motor vehicles and buildings with lease term of maximum one year. The Company does not have an option to purchase the leased motor vehicles and buildings at the expiry of the leased periods.

Payments recognized as an expense are:

	2016 TZS M	**2015 TZS M**
Buildings	1,127	678
Motor vehicles	54	73
	1,181	**751**

27. Financial risk management objectives and policies

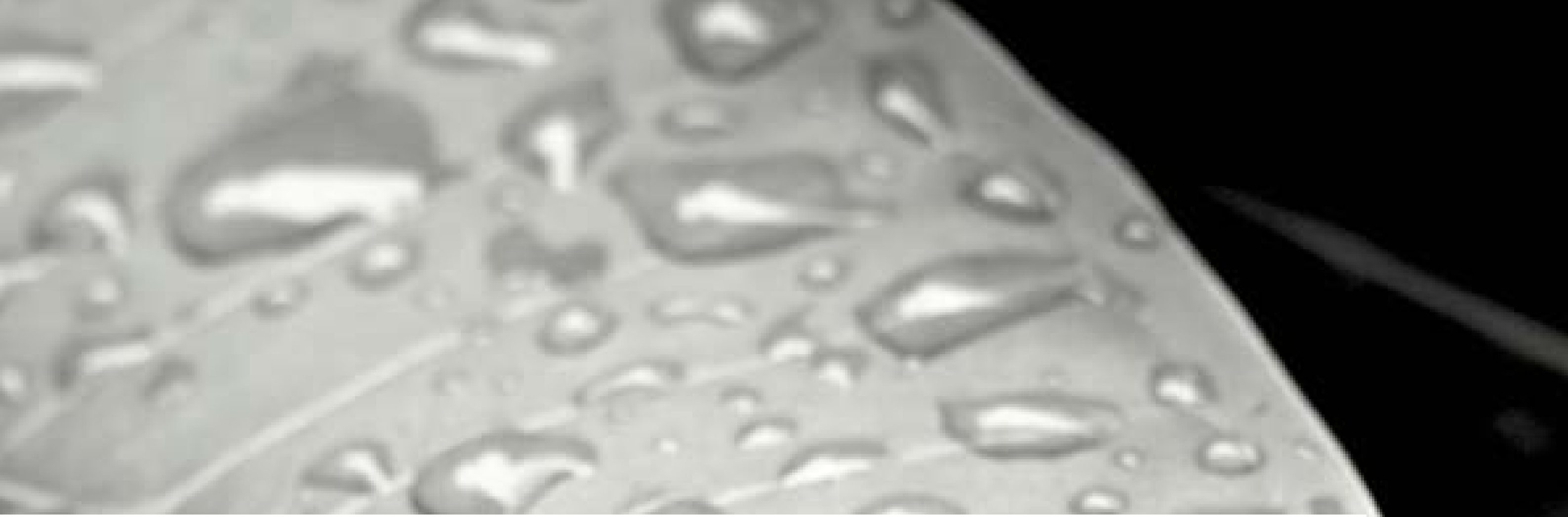
The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered. The Company, through its training, standards and procedures management, aims to maintain a disciplined and constructive control environment, in which all employees and stakeholders understand their roles and obligations.

The most important types of risks are credit risk, liquidity risk and market risk which is mainly due to foreign exchange risk and interest rate risk. A description of the significant risk factors is given below together with the risk management policies applicable.

Credit risk management

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, and trade and other receivables. Trade receivables comprise a large and widespread customer base and the Company performs ongoing credit evaluations on the financial condition of its customers. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the companies' management based on prior experience and the current economic environment. The carrying amount of financial assets represents the maximum credit exposure.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

27. Financial risk management objectives and policies (continued)

Credit risk management (continued)

The amount that best represents the Company's maximum exposure to credit risk as at 31 December 2016 without taking account of the value of any collateral obtained was:

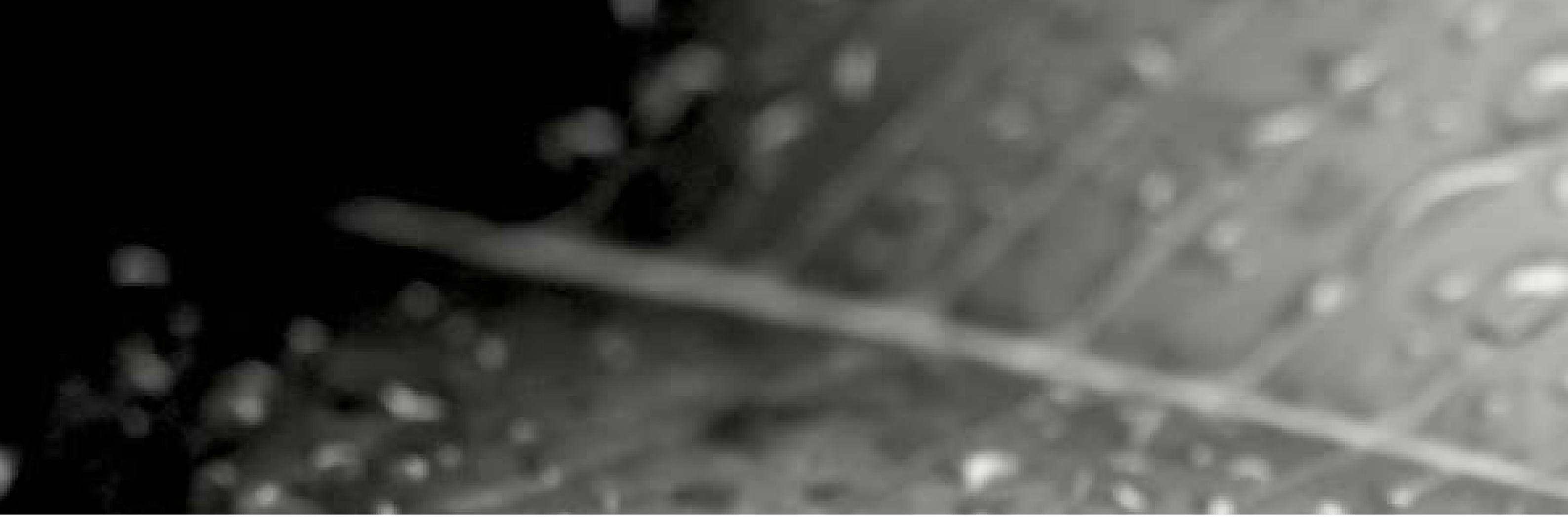
	Fully performing TZS M	Past due TZS M	Impaired TZS M	Total TZS M
Trade receivables	2,503	-	1,206	3,709
Amounts due from related companies	5,086	-	-	5,086
Bank balances	31,353	-	-	31,353
Total credit exposure	**38,942**	**-**	**1,206**	**40,148**

The amount that best represents the Company's maximum exposure to credit risk as at 31 December 2015 without taking account of the value of any collateral obtained was:

	Fully performing TZS M	Past due TZS M	Impaired TZS M	Total TZS M
Trade receivables	4,266	-	1,202	5,468
Amounts due from related companies	1,788	-	-	1,788
Bank balances	44,098	-	-	44,098
Total credit exposure	**50,152**	**-**	**1,202**	**51,354**

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low. The debt that is impaired has been fully provided for. However, management is actively following up recovery of the impaired debt. The movement in the provision for bad and doubtful debts is as set out below:

	2016 TZS M	2015 TZS M
At the beginning of the year	1,202	1,111
Amounts recovered during the year	(43)	(99)
Increase in allowance during the year	47	190
At the end of the year	**1,206**	**1,202**



Notes to the financial statements
for the year ended 31 December 2016 (continued)

27. Financial risk management objectives and policies (continued)

Credit risk management (continued)

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already recognized.

Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

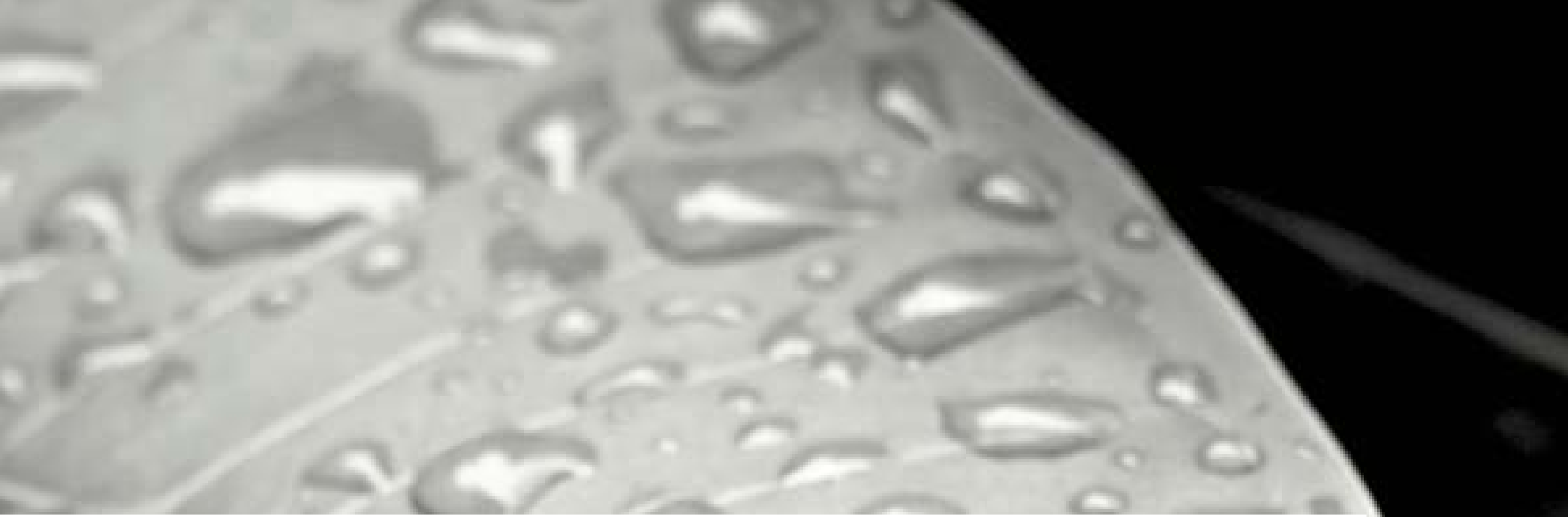
The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. The Directors may from time to time at their discretion raise or borrow monies for the Company as they deem fit. There are no borrowing limits in the articles of association of the Company.

Maturity analysis for financial liabilities as at 31 December 2016 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 months TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade payables	10,066	-	-	-	10,066
Amounts due to related companies	6,004	-	-	-	6,004
	16,070				**16,070**

Maturity analysis for financial liabilities as at 31 December 2015 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 months TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade payables	4,057	-	-	-	4,057
	2,688	-	-	-	2,688
	6,745	-	-	-	**6,745**



Notes to the financial statements
for the year ended 31 December 2016 (continued)

27. Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

Maturity analysis for financial assets as at 31 December 2016 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 months TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade receivables	3,709	-	-	-	3,709
Cash and bank balances	31,353	-	-	-	31,353
Total	**35,062**	-	-	-	**35,062**

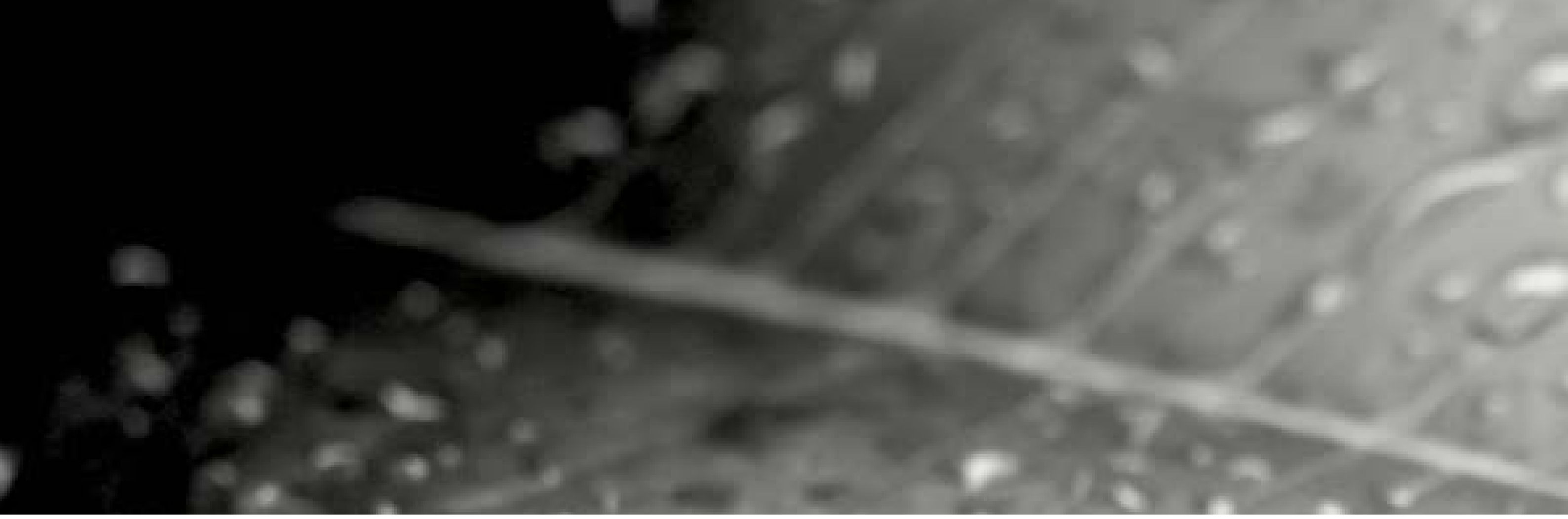
Maturity analysis for financial assets as at 31 December 2015 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 months TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade receivables	2,792	2,676	-	-	5,468
Cash and bank balances	44,107	-	-	-	44,107
Total	**46,899**	**2,676**	-	-	**49,575**

Market risk management

(i) Interest rate risk

The Company is not exposed to interest rate risk because it does not have interest earning liabilities. The company has received interest income amounting to TZS 3,974 million (2015: TZS 3,942 million) from its short-term bank deposits.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

27. Financial risk management objectives and policies (continued)

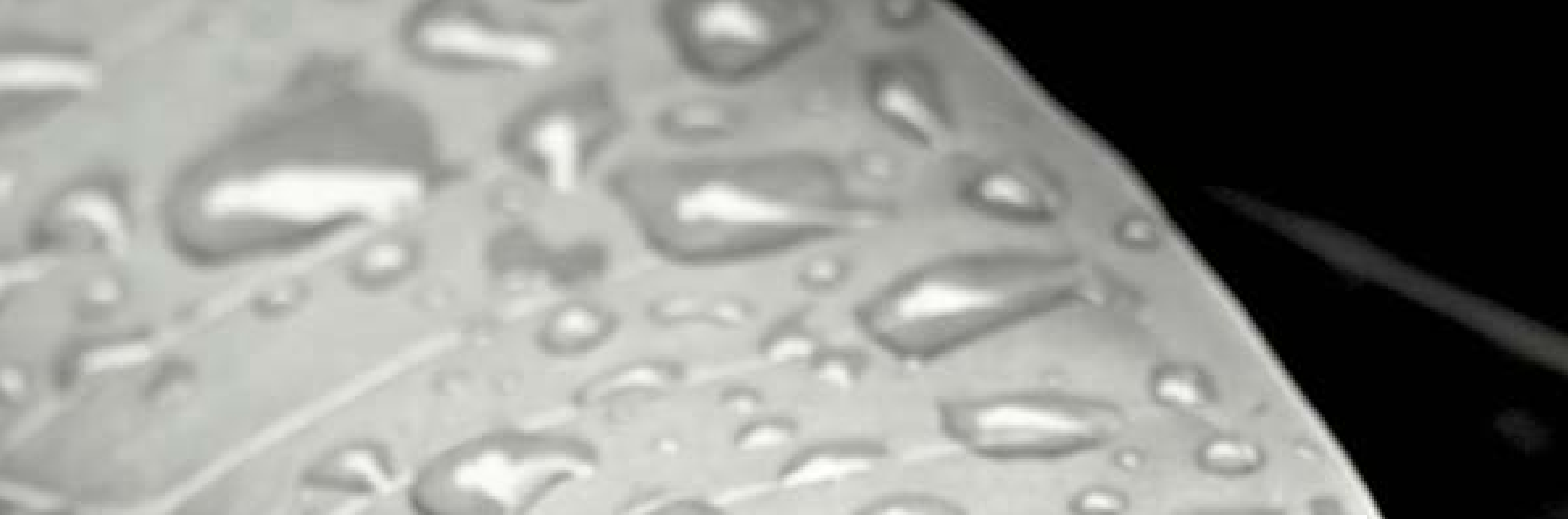
(ii) Foreign exchange risk

The Company's costs and expenses are principally incurred in Tanzanian Shillings (TZS) and US Dollars (USD). The Company did not enter into formal hedging transactions in respect of these transactions. Volatility in the exchange rate of USD against TZS would make the Company's costs and results less predictable than when exchange rates are stable.

At 31 December 2016, if the TZS had strengthened or weakened by 5% against the USD with all the other variables held constant, the impact on the pre-tax profit for the year would have been lower or higher by TZS 464 million (2015: TZS 189 million).

The carrying amounts of the Company's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change, as at 31 December are as follows:

	2016 TZS M	**2015 TZS M**
Trade and other receivables	4,117	5,889
Trade and other payables	(19,323)	(1,768)
Open position	**15,206**	**4,121**

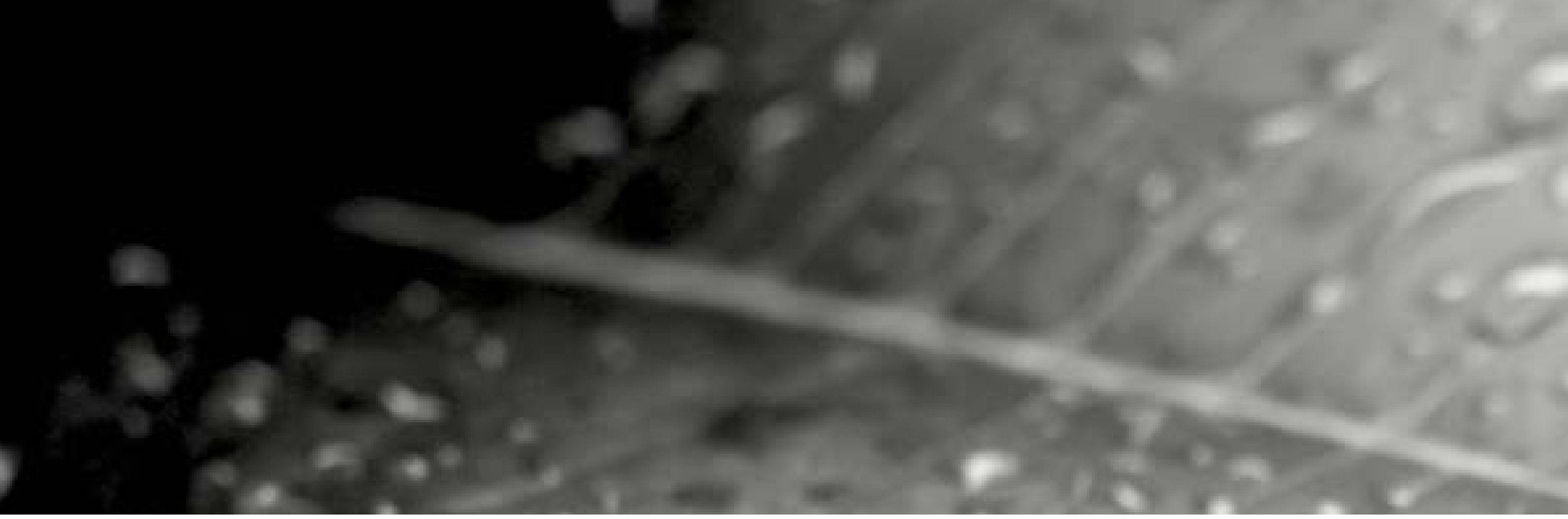


Notes to the financial statements
for the year ended 31 December 2016 (continued)

27. *Financial risk management objectives and policies (continued)*

Financial instruments categorization

As at 31 December 2016	Loans and receivables TZS M	Financial Liabilities carried at amortized Costs TZS M	Non financial liabilities or assets TZS M	Equity TZS M	Total TZS M
Assets					
Non-current assets					
Property, plant and equipment	-	-	89,353	-	89,353
Current assets					
Inventories	-	-	123,175	-	123,175
Trade and other receivables	7,589	-	5,742	-	13,331
Cash and bank balances	31,353	-	-	-	31,353
Total assets	**38,942**	**-**	**218,270**	**-**	**257,212**
Equity and liabilities					
Capital and reserves					
Share capital	-	-	-	2,000	2,000
Retained earnings	-	-	-	179,728	179,728
Defined benefit reserve				4,988	4,988
Non-current liabilities					
Deferred tax liability	-	-	6,697	-	6,697
Defined benefit obligation	-	-	5,802		5,802
Current liabilities					
Trade and other payables	-	37,701	16,093	-	53,794
Taxation Payable	-	-	4,203	-	4,203
		37,701	**32,795**	**186,716**	**257,212**

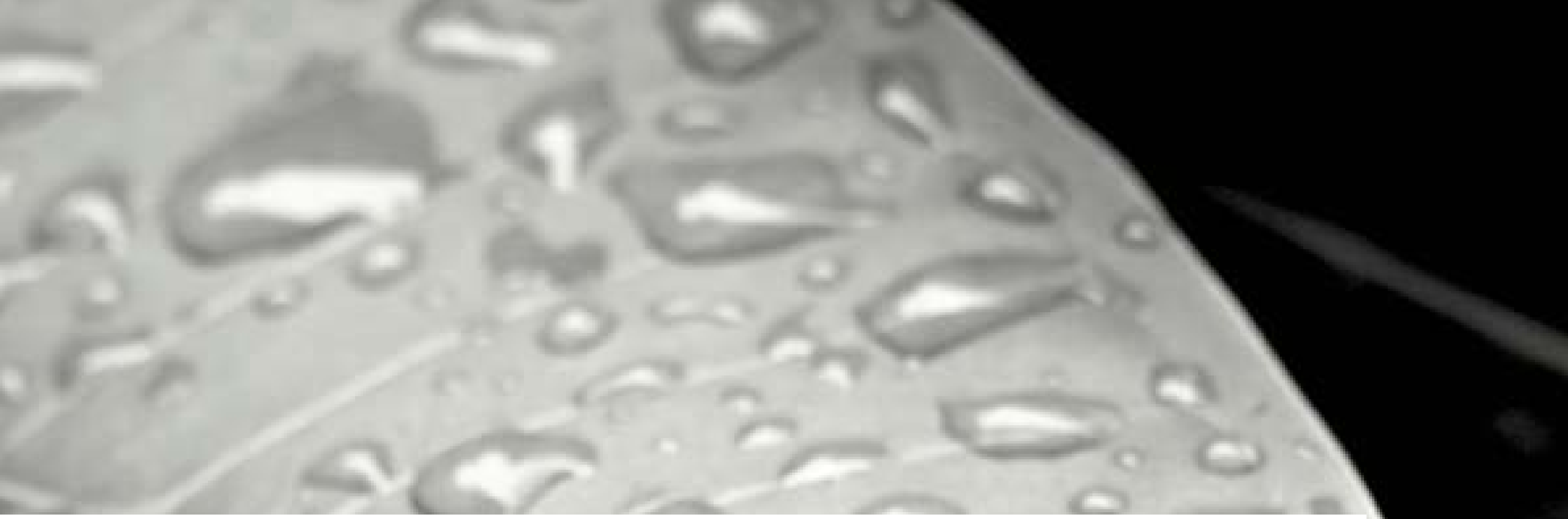


Notes to the financial statements
for the year ended 31 December 2016 (continued)

27. Financial risk management objectives and policies (continued)

Financial instruments categorization (continued)

As at 31 December 2016	**Loans and receivables TZS M**	**Financial Liabilities carried at amortized Costs TZS M**	**Non financial liabilities or assets TZS M**	**Equity TZS M**	**Total TZS M**
Assets					
Non-current assets					
Property, plant and equipment	-	-	87,474	-	87,474
Current assets					
Inventories	-	-	90,034	-	90,034
Trade and other receivables	6,054	-	2,303	-	8,357
Cash and bank balances	44,107	-	-	-	44,107
Total assets	**50,161**	**-**	**179,811**	**-**	**229,972**
Equity and liabilities					
Capital and reserves					
Share capital	-	-	-	2,000	2,000
Retained earnings	-	-	-	171,059	171,059
Defined benefit reserve	-	-	-	1,281	1,281
Non-current liabilities					
Deferred tax liability	-	-	5,300	-	5,300
Defined benefit obligation	-	-	9,147		9,147
Current liabilities					
Trade and other payables	-	21,607	15,600	-	37,207
Taxation Payable	-	-	3,978	-	3,978
	-	**21,607**	**34,025**	**186,716**	**229,972**



Notes to the financial statements
for the year ended 31 December 2016 (continued)

28. Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company.

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Company analyses and assesses the gearing ratio to determine the level and its optimality, through balancing its overall capital structure in payment of dividends and issue of new debt or the redemption of existing debt.

The Company's overall strategy remains unchanged from 2015.

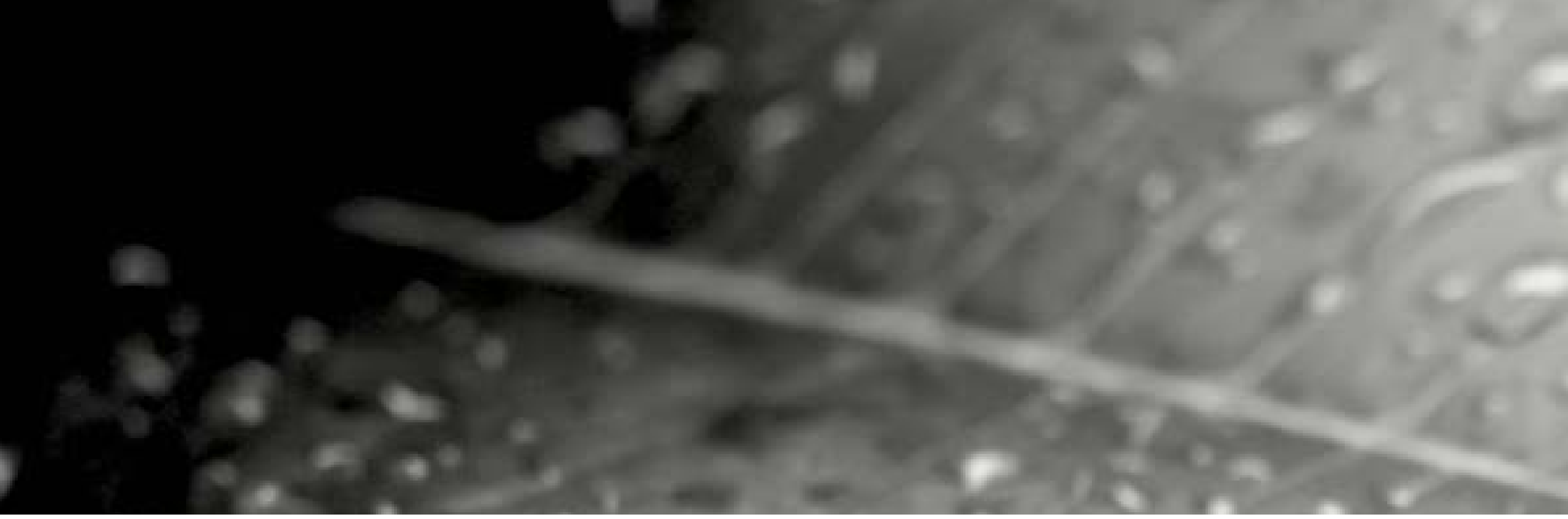
The constitution of capital managed by the Company is as shown below:

	2016 TZS M	**2015 TZS M**
Share capital	2,000	2,000
Defined benefit actuarial gains	4,988	1,281
Retained earnings	179,728	171,059
Equity	**186,716**	**174,340**

As at 31 December 2016 the Company was not financed by any debt (2015: NIL).

29. Fair value measurement

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.
The Company specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:



Notes to the financial statements
for the year ended 31 December 2016 (continued)

29. Fair value measurement (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

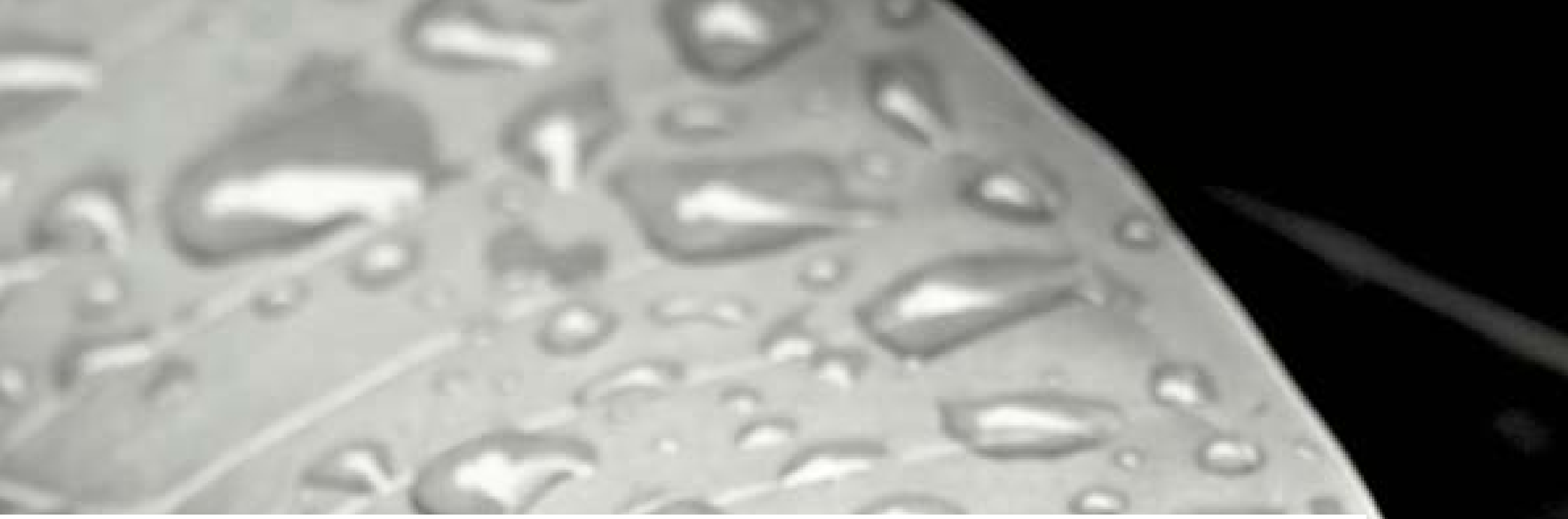
This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

(a) Fair value of the Company financial assets and financial liabilities that are measured at fair on recurring basis.

The Company had no financial assets or financial liabilities that are measured at fair value on recurring basis at 31 December 2016 (2015: none).

(b) Fair value of the Company financial assets and financial liabilities that are not measured at fair on recurring basis

The Company's financial assets and liabilities are measured at amovitsed cost, their carrying amounts an reasinable approximation of their fail value.



Notes to the financial statements
for the year ended 31 December 2016 (continued)

30. *Events subsequent to the year end*

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Company and results of its operations.

31. *Incorporation*

The Company is incorporated in Tanzania under the Companies Act 2002 and domiciled in Tanzania.

32. *Ultimate parent company*

The holding Company is JT International Holding B.V, a Company domiciled in the Netherlands. The ultimate parent Company is Japan Tobacco Inc., a Company incorporated under the Commercial Code of Japan pursuant to the Japan Tobacco Inc. Law.

33. *Functional and presentation currency*

The Company's functional and presentation currency is Tanzanian Shillings (TZS).