



SIMBA
CEMENT
STRENGTH WITHIN

TANGA CEMENT PLC

2016

ANNUAL REPORT

TAARIFA YA MWAKA

Contents

Financial Summary	1
Directors' Profiles	3
Chairperson's Statement	7
Managing Director's Report	11
Corporate Social Investments	15
Safety and Environment	20
Quality	23
Value Added Statement	27
General Information	28
Board of Directors	29
Directors Report	30
Statement of Directors' Responsibilities	38
Declaration by the Head of Finance	39
Independent Auditor's Report	40
Consolidated statement of Comprehensive Income	45
Consolidated statement of Financial Position	47
Consolidated statement of Changes in Equity	49
Consolidated statement of Cash flows	51
Notes to the consolidated Financial Statements	53
Proxy Form	96
Notice to Members	99

Yaliyomo

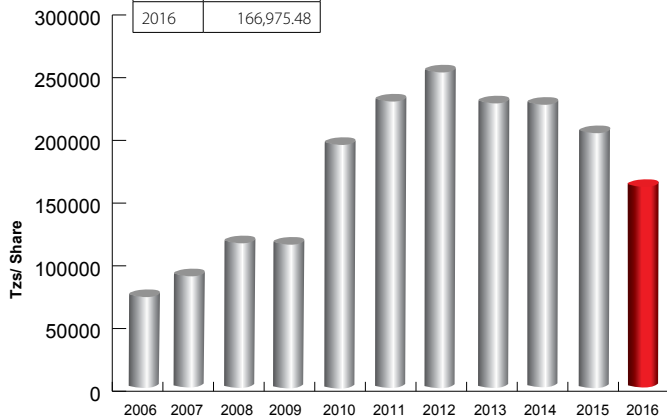
Vidokezo vya Mapato	2
Maelezo Mafupi kuhusu Wakurugenzi	3
Waraka wa Mwenyekiti	9
Taarifa ya Mkurugenzi Mtendaji	13
Uwekezaji wa Kijamii wa Kampuni	17
Usalama na Mazingira	20
Ubora	24
Waraka wa Ongezeko la Thamani	27
Bodi ya Wakurugenzi	29
Waraka wa Mapato unaotambulika	46
Waraka wa Hali ya Kifedha	48
Waraka wa Mabadiliko ya Hisa/Mtaji	50
Waraka wa Mtiririko wa Fedha	52
Fomu ya Mwakilishi	97
Taarifa Kwa Wanachama	100

Financial Summary

Dividend per share: **2015 : Tzs 80**
2016 : Tzs 80

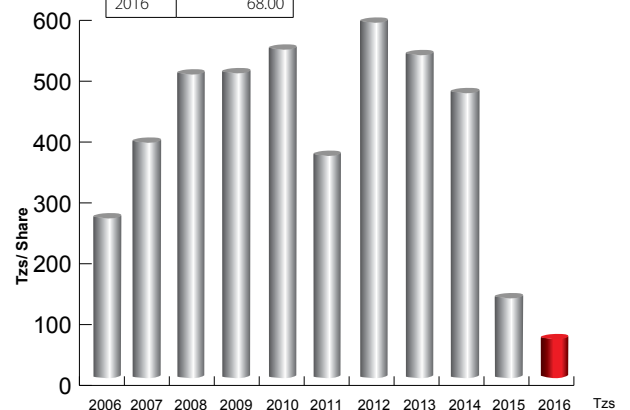
Revenue

Year	Tzs Millions
2006	77,626.65
2007	93,784.00
2008	121,349.00
2009	119,898.00
2010	199,428.26
2011	233,863.26
2012	257,921.83
2013	233,060.60
2014	232,100.72
2015	209,116.05
2016	166,975.48



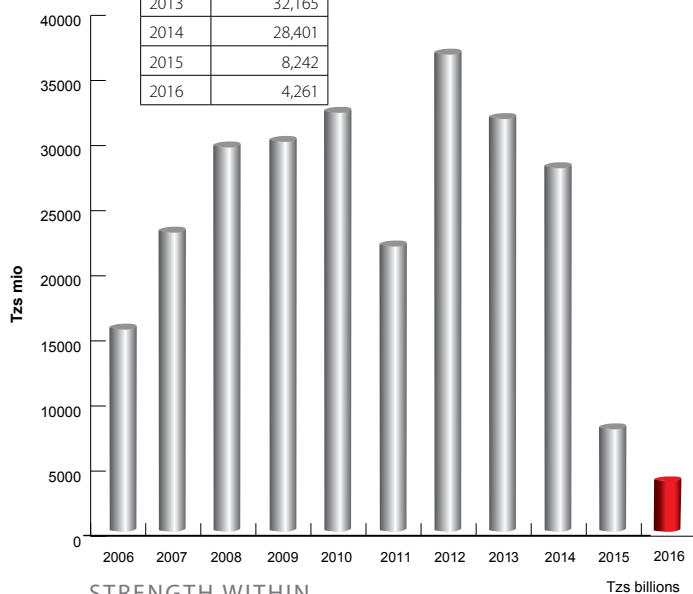
Earning per share

Year	Tzs
2006	251.24
2007	370.51
2008	475.15
2009	477.77
2010	512.00
2011	350.00
2012	555.00
2013	505.00
2014	446.00
2015	131.00
2016	68.00



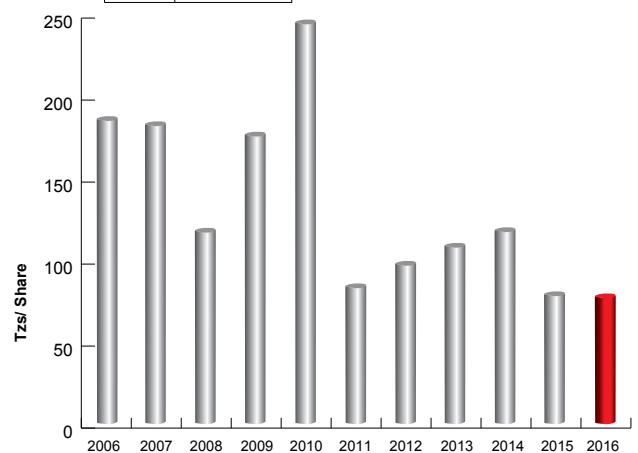
Profit after taxation

Year	Tzs Millions
2006	15,997
2007	23,591
2008	30,253
2009	30,420
2010	32,574
2011	22,291
2012	37,113
2013	32,165
2014	28,401
2015	8,242
2016	4,261



Dividend per share

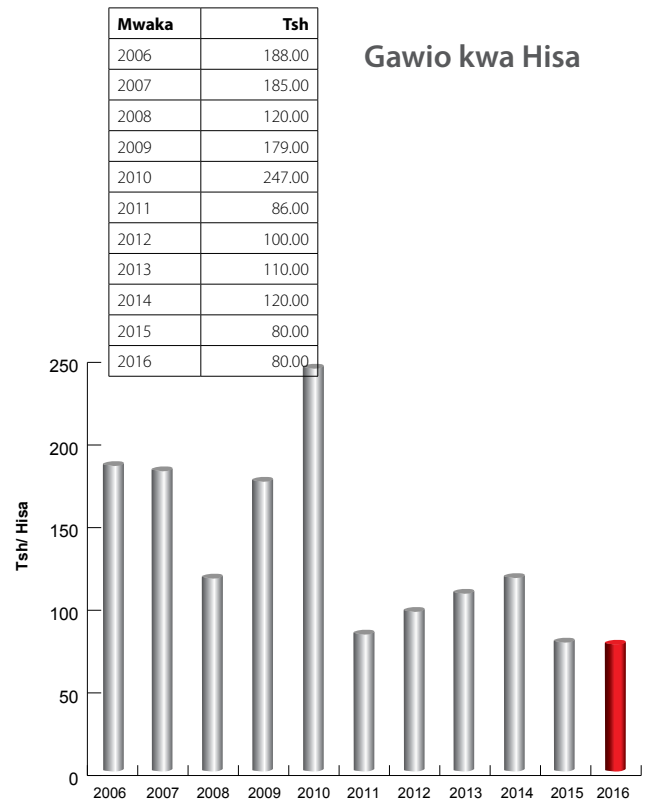
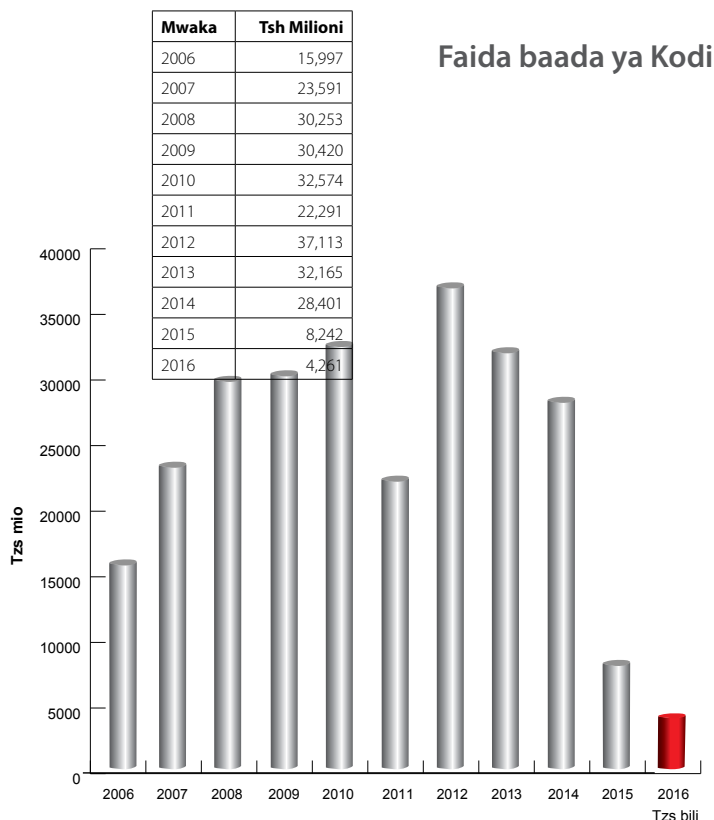
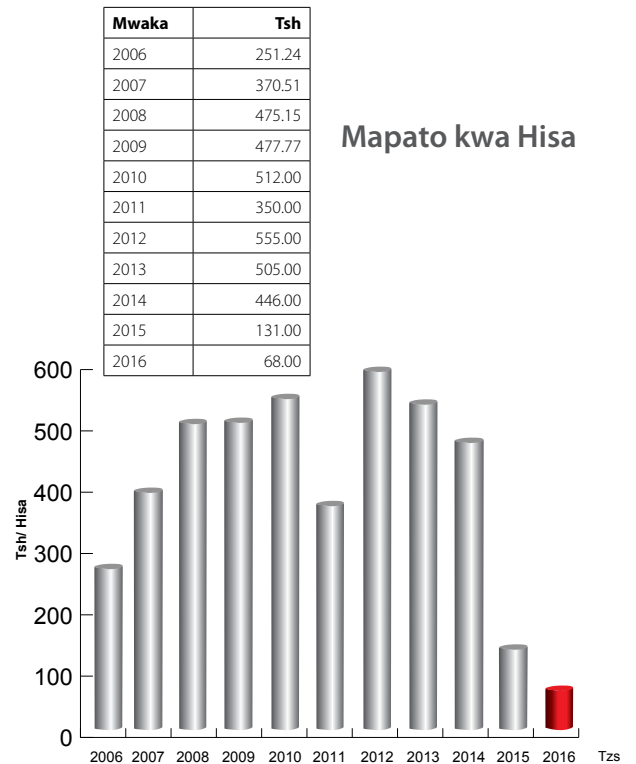
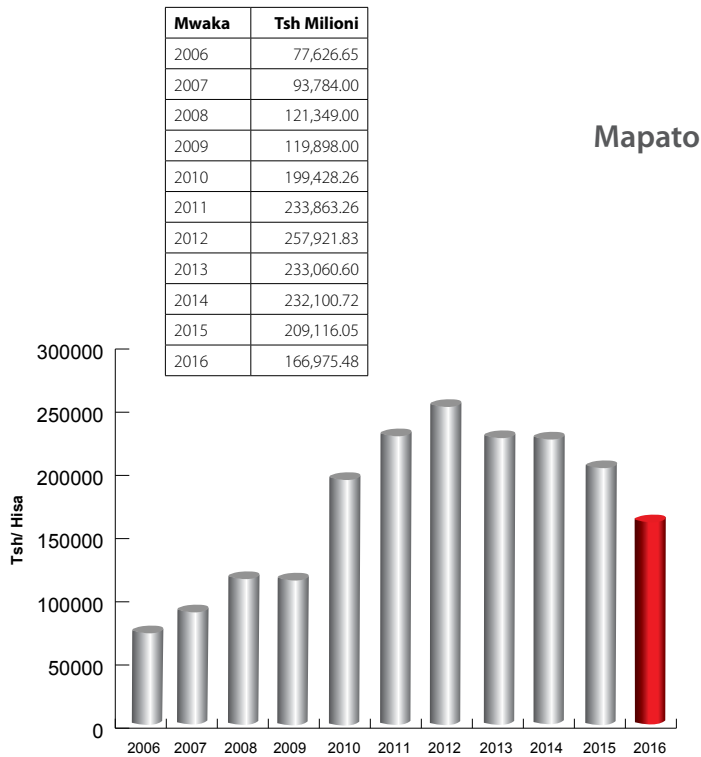
Year	Tzs
2006	188.00
2007	185.00
2008	120.00
2009	179.00
2010	247.00
2011	86.00
2012	100.00
2013	110.00
2014	120.00
2015	80.00
2016	80.00



STRENGTH WITHIN

Vidokezo Vya Mapato

Gawio kwa hisa: 2015 : Tsh 80
2016 : Tsh 80



Directors' Profiles | Maelezo mafupi kuhusu Wakurugenzi

Tanga Cement is led by a competent Board of Directors, with extensive knowledge and experience from varied sectors.

Lawrence Masha (46)

Board Chairperson

Tanzanian

- LLM (International & Comparative Law),
- Lawrence is the managing partner of Gabriel and Co. Attorney at law,
- He has close to twenty years of experience of law specialized in Banking and finance,
- Was a founder and Managing Partner of IMMA Advocates from 2012 to 2015,
- Director of Fastjet Tanzania Limited
- Director of Newforest Tanzania Limited
- Former minister of energy and minerals and later on as the minister of home affairs 2000-2010
- Mr Masha was recognized as a Young Global Leader by the World Economic Forum in 2009

Mwenyekiti (46)

Mtanzania

- LLM (Kimataifa & Sheria Linganishi)
- Lawrence ni Mkurugenzi Mtendaji mwenza wa Gabriel and Co. Attorney at law,
- Ana uzoefu wa karibu miaka ishirini katika sheria na amebobea katika sheria za benki na fedha,
- Alikuwa Mkurugenzi Mtendaji Mwenza na mwanzilishi wa IMMA Advocates tangu mwaka 2012 mpaka 2015.
- Mkurugenzi wa Fastjet Tanzania Limited
- Mkurugenzi wa Newforest Tanzania Limited
- Waziri wa zamani wa nishati na madini na baadaye waziri wa mambo ya ndani 2000-2010
- Bw Masha alitambulika kama Kiongozi wa Dunia Kijana wakati wa Baraza la Uchumi la Dunia mwaka 2009.



Reinhardt Swart (43)

Managing Director

South African

- Bsc.(Mechanical Engineering),
- Reinhardt has expert knowledge in the cement manufacturing industry,
- Held positions of Consultant in the Group Technical Services division of Holcim (Switzerland),
- Process Engineer, Process Performance Engineer and Maintenance Manager, culminating in his position as General Manager of AfriSam's Dudfield cement production facility, South Africa,
- Mr Swart held the position of General Manager before being seconded to Tanga Cement Public Limited Company to oversee the successful completion of the expansion project.

Mkurugenzi mtendaji (43)

Mwafrika Kusini

- Bsc. (Mhandisi Mitambo),
- Reinhardt ni Mtaalam wa sekta ya saruji,
- Aliwahi kuwa mshauri wa kundi wa Huduma za Ufundi wa Holcim, Switzerland,
- Alikuwa Mhandisi wa mchakato, Mhandisi wa Utendaji na matengenezo, Meneja Mkuu wa kiwanda cha uzalishaji wa simenti cha AfriSam Dudfield, Afrika Kusini,
- Bw Swart alishika nafasi ya Meneja Mkuu kabla ya kuletwa Tanga Cement Plc kusimamia ufanikishaji wa ukamilishaji mradi wa upanuzi.

Maelezo mafupi kuhusu Wakurugenzi | Directors' Profiles

Pieter de Jager (45) Chief Financial Officer South African

- B.Comm Accounting; B.Compt (Hons)/CTA; MBA
- Pieter has over 20 years senior management experience including major listed companies in various sectors.
- He worked in senior financial management and executive positions in the
- Electrical Engineering, FMCG, Supply Chain, Freight Logistics &
- Warehousing- and the Mining sectors in various countries in Southern, Central and West Africa
- Was the Group CFO for the Jonah Capital Group (including Jonah Mining)
- Prior to joining Tanga Cement Plc, he has held the position of Group CFO and director of Andulela Investment Holdings Ltd (JSE listed)
- Mr de Jager has also had significant experience working with junior mining companies listed on the TSX and ASX.



Afisa Mkuu wa fedha (45) Mwafrika Kusini

- Pieter ana uzoefu wa zaidi ya miaka 20 ya uongozi wa juu ikiwa ni pamoja na kwenye makampuni yaliyoko kwenye masoko ya hisa na sekta mbalimbali,
- Amefanyakazi katika ngazi za juu za uongozi wa masuala ya fedha na nafasi za kiutendaji kwenye makampuni yanayojishughulisha na masuala ya uhandisi wa wa umeme, FMCG, ugavi, uchukuzi shehena za mizigo na uhifadhi na pia sekta ya uchimbaji madini katika nchi mbali mbali zilizoko katika nchi za ukanda wa kusini, kati na magharibi ya Afrika.
- Alikuwa mkuu wa fedha wa kundi la makampuni ya Jonah Capital Group (ikijumuisha kampuni ya madini ya Jonah)
- Kabla hajajiunga na Tanga Cement Plc, alishika wadhifa wa mkuu wa masuala ya fedha wa Andulela Investment Holdings Ltd (iliyoorodheshwa JSE)
- Bw de Jager ana uzoefu wa kipekee wa kufanyakazi na makampuni madogo ya madini yaliyoko katika masoko ya hisa ya TSX na ASX.



Dr Stephan Olivier (57) (Non - Executive) South African

- BSc, BSc (Hons), MSc, PhD
- Dr Stephan is the Chief Executive Officer of AfriSam Group,
- He has held the position of Chief Operating Officer for the AfriSam Cement operations,
- He has served in various management positions within the organisation, including Director of Marketing and Technical Services.
- Dr Olivier has served on a number of industry bodies and committees.

Si-Mtendaji (57) Mwafrika Kusini

- BSc, BSc (Hons), MSc, PhD
- Dk Stephan ni Afisa Mtendaji Mkuu wa AfriSam
- Amewahi kushika nyadhifa mbalimbali katika kampuni ya AfriSam ikiwemo cheo cha Mkuu wa uendeshaji wa AfriSam upande wa uzalishaji simenti,
- Amekuwahi kushika nyadhifa mbalimbali ndani ya kampuni ikuwemo ya Mkurugenzi wa Masoko na Huduma za Ufundi.
- Dk Olivier amekuwahi kwenye vyombo na kamati mbalimbali ndani ya sekta.

Maelezo mafupi kuhusu Wakurugenzi | Directors' Profile

Khamis Omar (52) **(Independent Non-Executive)**

Tanzanian

- Msc (Development Studies), PGD (Business Administration), Advanced Diploma (Tax Management),
- Khamis is the Principal Secretary President's Office - Finance, Economy and Development Planning in Zanzibar,
- Mr. Omar Serves on various boards including the Zanzibar Revenue Board, Bank of Tanzania and the Tanzania Revenue Authority.

Si-Mtendaji (52)

Mtanzania

- Msc (Mitaala ya Mendeleo), Advanced Diploma (Usimamizi wa Kodi), PGD (Utawala wa Biashara),
- Khamisi ni Katibu Mkuu Ofisi ya Rais – Fedha, Uchumi na Mipango ya Maendeleo, Zanzibar,
- Bw Omar ni mjumbe katika bodi mbalimbali ikiwemo ya Mapato Zanzibar, Benki kuu ya Tanzania na Mamlaka ya Mapato Tanzania.



Raymond Mbilinyi (52) **(Independent Non-Executive)**

Tanzanian

- BSc in Engineering, MBA in Marketing, certified Project Manager,
- Raymond is the Executive Secretary of Tanzania National Business Council (TNBC).
- Mr. Mbilinyi is a Board Member in; The Tanzania Industries Licensing Board (BRELA), Victoria Microfinance Co; and the Tanzania Private Sector Foundation (TPSF).
- He has over 18 years of professional experience in Africa.

Si-Mtendaji (52)

Mtanzania

- Shahada ya uhandisi, Mtaalm wa masoko, Meneja wa Miradi aliyethibitishwa,
- Raymond ni Katibu Mtendaji wa Baraza la Taifa la Biashara (TNBC).
- Bw. Mbilinyi ni mkurugenzi wa bodi mbali mbali zikiwemo Tanzania Industries Licensing Board (BRELA), Victoria Microfinance Company na Tanzania Private Sector Foundation (TPSF).
- Ana ujuzi wa zaidi ya miaka kumi na nane barani afrika.



Patrick Rutabanzibwa, (61) **(Independent Non-Executive)**

Tanzanian

- B.A in Chemical Engineering,
- Patrick is the Country Chairman of PanAfrican Energy,
- Member of the Board of Directors for the National Housing Corporation (NHC),
- Mr Rutabanzibwa served as Principle Secretary for a number of ministries in the country inclusive of Ministry of Energy and Minerals, Ministry of Lands, Housing and Human Settlement Development, Ministry of Home Affairs and Ministry of Water.

Si-Mtendaji (61)

Mtanzania

- Shahada ya uhandisi kemikali,
- Ni mwenyekiti wa nchi wa PanAfrican energy na mkurugenzi wa bodi Shirika la Nyumba la Taifa (NHC).
- Bw. Rutabanzibwa alikuwa ni Katibu Mkuu wa wizara mbali mbali ikiwemo ya Nishati na Madini, Wizara ya ardhi, Nyumba na Maendeleo ya Makaazi, Wizara ya Mambo ya Ndani na pia Wizara ya Maji.

Directors' Profile | Maelezo mafupi kuhusu Wakurugenzi

Trevor Wagner (69) (Independent Non-Executive)

South African

CA (SA), MBL

- Trevor serves on a number of Boards as a Non-Executive Director, including Xuba Polymer Industries.
- He was previously Group Financial Director at the then Alpha Cement Group, which subsequently became AfriSam Group.
- He spearheaded a management buy-out of Alpha's Industrial Division.
- Was a shareholder and Deputy CEO of Idwala, responsible for finance, administration, human resources and business strategy.
- He held a number of positions in the then Alpha Cement Group.
- He started his career as an Audit Manager at PriceWaterhouseCoopers,
- Is the past Chairman of SAICA's Northern Region and a past member of SAICA's National Board.
- Mr Wagner also served as the Chairman of Idwala Provident Fund and is a Trustee of Trecar Trus

Si-Mtendaji (69)

Mwafrika Kusini

- CA(SA), MBL
- Trevor ni mkurugenzi asiye mtendaji wa makampuni mbalimbali ikiwa ni pamoja na Xuba Polymer Industries
- Awali alikuwa Mkurugenzi wa fedha wa Kampuni iliyojulikana kama Alpha Cement Group, ambayo baadaye ilibadilika na kuwa AfriSam.
- Alisimamia ununuaji wa kampuni ya Alpha upande ununuzi kiuongozi,
- Alikuwa ni mwanahisa na naibu mtendaji mkuu wa Idwala, anaye wajibika na fedha, utawala, rasilimali watu na mkakati wa biashara.
- Alishika nyadhifa mbalimbali katika kundi la makampuni ya Alpha Cement
- Ni mwenyekiti wa zamani wa SAICA ya mkoa wa Kaskazini na mkurugenzi wa zamani wa bodi ya Taifa ya SAICA ya Afrika Kusini.
- Bw. Wagner aliwahi kuwa mwenyekiti wa bodi ya Idwala Provident Fund na mdhamini wa mfuko wa Trecar.



Quresh Ganijee (34) Company Secretary

Tanzanian

- ICSA
- Quresh is currently the Company Secretary,
- He served on various positions such as Assistant Company secretary, Cost Accountant and Payroll Administrator,
- He is the registered member of ICSA International and National Board of Accountancy and Auditors,
- Mr Ganijee has 10 years' experience in financial sector.

Katibu wa Kampuni(34)

Mtanzania

- ICSA,
- Quresh ni Katibu wa Kampuni,
- Amewahi kushika nyadhifa mbali mbali kama vile, Katibu wa Kampuni Msaidizi, Mhasibu wa gharama na Msimamizi wa mambo ya mishahara,
- Bw Ganijee ana uzoefu wa miaka kumi katika tasnia ya fedha.

Chairman's Statement

Introduction

It is with pleasure that the audited trading results of Tanga Cement Public Limited Company for the year ended 31st December 2016 are presented.

We are proud of the significant role Tanga Cement PLC continues to play in Tanzania to ensure sustainable economic growth and development through the pillars enshrined in our strategic narrative of "STRENGTH WITHIN". Our commitment to our stakeholders through its premier Simba Cement brand continues to be clear as we uphold and honour the strength within our people for what we have and will still achieve.

Macro-Economic Overview

Our growth in business continues to be anchored on the economic progress of Tanzania. The Tanzanian Shilling maintained its stability against the dollar throughout 2016, due to improved performance recorded in the export values of travel, manufactured goods and gold whilst traditional exports declined. Tanzania also experienced a year of political stability following the election of President Magafuli. The annual headline inflation rate decreased to five point zero percent (5.0%) in 2016 from six point eight percent (6.8%) recorded in 2015, as a result of strict fiscal and monetary policies.

In the year under review, Tanzania's GDP grew by an estimated six point eight percent (6.8%) compared to seven percent (7%) in 2015. This was supported by growth in various economic sectors mainly: Mining, Construction, Telecommunications and Agriculture.

The construction sector is estimated to have expanded by seven point three percent (7.3%) in 2016, at a slower rate compared to 2015 due to stalled public infrastructure projects rollout and rapid policy changes which precipitated uncertainty for businesses. Nonetheless, projected

infrastructure development and anticipated sector growth attracted new entrants into the cement industry keen to earn returns from increased demand, as well as the influx of cheap imported cement by middlemen during 2015 and early 2016. To address the issue of cheap imports, cement companies in Tanzania through the Tanzania Chapter of East African Cement Producers Association (EACPA), engaged the Government which imposed an additional ten percent (10%) excise duty up to thirty five percent (35%) on imported cement for a year.

We remain optimistic of the ambitious infrastructure development plans under the Government's Development Vision 2025 programme and expect the projects to pick up momentum in the second quarter of 2017. Tanga Cement PLC has capacity to meet a large share of the cement demand in the country and remains committed to production of superior cement products.

Financial and Operational Overview

In the year 2016, our business focus was on profitability driven by operational efficiency and overall business effectiveness in order to remain competitive in challenging market conditions.

During the year, the company commissioned the second integrated cement production line with a new kiln at its Tanga plant, eliminating the need to purchase clinker and delivering additional revenue from the sale of excess clinker. As a result, our clinker production capacity increased to One million two hundred fifty thousand tonnes per annum (1.25 mio tons/yr) in 2016. The company made its first clinker sales in the year under review, following the commissioning of the second kiln.

Market headwinds during the year under review negatively impacted Tanga Cement's sales revenue by twenty percent (20%) year-on-year from Tanzania Shillings two hundred and nine billion (TZS 209 bn) in 2015 to Tanzania Shillings one hundred sixty seven billion (TZS167 bn) for the year under review due to continued competitive market pressure and lower infrastructure project spending from Government.

The company's focus to improve operational efficiencies and cost management initiatives, was one of the main drivers of the sixteen percent (16%) growth in Gross Profit to Tanzania Shillings fifty four billion (TZS54 bn) year-on-year. We managed to keep operating costs low and will continue to monitor and control costs to identify areas of saving without compromising on product quality.

The reduced manufacturing cost base positively impacted Operating EBITDA by thirty one percent (31%) to Tanzania Shillings thirty eight billion (TZS38 bn) over Tanzania Shillings twenty nine billion (TZS29 bn) achieved in 2015.

Operating Profit is down zero point five percent (0.5%) to Tanzania Shillings nineteen point eight billion (TZS19.8 bn) compared to Tanzania Shillings nineteen point nine billion (TZS19.9 bn) in 2015 mostly due to the anticipated One hundred ninety eight percent (198%) increase in depreciation resulting from the extensive capital expansion of the new integrated production line that was commissioned in early 2016.

Profit before tax declined to Tanzania Shillings five point seven billion (TZS5.7 bn) from Tanzania Shillings eight point seven billion (TZS8.7 bn) in the prior year as a result of the increased financing cost of the senior debt which financed the expansion of our production capacity.

The Group recorded a net profit after tax of Tanzania Shillings four point three billion (TZS4.3 bn) which is down from the Tanzania Shillings eight point two billion (8.2 bn) of 2015 impacted by the tax charge for the year.

Cash flows from normal trading activities improved by fifteen percent

“The Board proposed a final dividend for 2016 totalling Tzs1.592 billion (2015: Tzs1.592 billion) being Tzs 25 per share (2015: Tzs25 per share). The total dividend proposed for the year amounts to Tzs5.094 billion (Tzs80 per share) [2015: Tzs 5.094 billion (Tzs80 per share)].”

(15%) to Tanzania Shillings thirty five point nine billion (TZS35.9 bn) in 2016 underlining the positive performance of the Group in a very competitive cement market.

The company utilised a significant portion of available free cash to settle capital expansion costs instead of utilising the full available loan facilities. This initiative will significantly benefit the company's financing costs expenditure in the long term. Accordingly cash on hand at 31 December 2016 decreased to Tanzania Shillings two point five billion (TZS2.5 bn) from Tanzania Shillings eighteen point three billion (TZS18.3 bn) in the prior year.

Tanga Cement PLC remains committed to its sales and cost optimisation initiatives as it continually seeks to enhance value for its stakeholders. The company remains positive about 2017 despite the competitive landscape. Government initiatives to spur economic growth through infrastructure development and promotion of local industries, will boost local cement output and consumption while reducing the influx of cheap cement imports.

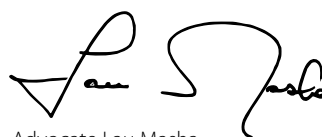
Dividend

Subsequent to year-end, the Board proposed a final dividend for 2016 totalling Tanzania shillings one point five nine two billion (TZS1.592 bn) (2015: TZS1.592 bn) being TZS25 per share (2015: TZS25 per share). The total dividend proposed for the year amounts to Tanzania shillings five point zero nine four billion (TZS5.094 bn) (TZS80 per share) [2015: Tanzania shillings five point zero nine four billion (TZS 5.094 bn) (TZS 80 per share)] which will be recommended to shareholders at the upcoming annual general meeting in May 2017.

Conclusion

Tanga Cement PLC remains grateful to its staff for their passion and dedication to the company and to its customers for their belief in the Simba Cement brand, as the company works to achieve its short-term and long-term goals.

With Tanzania being the second-largest construction market in East Africa, cement output is anticipated to increase and Tanga Cement is well positioned to take advantage of the growth opportunities in the market. We look forward to reaching greater heights together in 2017 in co-operation with all our stakeholders.



Advocate Lau Masha
Chairperson of the Board

Waraka wa Mwenyekiti

Utangulizi

Kwa furaha kubwa tunawasilisha kwenu hesabu zilizokaguliwa za mwaka 2016 za Tanga Cement Public Limited Company.

Tunayofahari kutokana na nafasi muhimu ambayo Tanga Cement inaendelea kushika nchini Tanzania ili kuhakikisha ukuaji endelevu wa uchumi na maendeleo kupitia nguzo zake zinazolinda mkakati wetu tunaouita "STRENGTH WITHIN". Ahadi kwa wadau wetu kupitia chapa yao bora na ya juu kabisa, Simba Simenti, inaendelea kuonekana wazi huku tukizingatia na kuheshimu nguvu iliyo ndani ya watu wetu kwa kile tulicho nacho na ambacho bado tunakiamini.

Mapitio ya Uchumi Mkuu

Ukuaji wetu kibiashara unaendelea kusaidiwa na maendeleo ya uchumi wa Tanzania. Shilingi ya Tanzania imeimarika ikilinganishwa na dola ya kimarekani kwa mwaka wa 2016, kutokana na utendaji bora wa thamani iliyotokana na maboresho ya usafiri wa nje, bidhaa za viwandani na dhahabu; wakati mauzo ya nje kwa bidhaa za kiasili yalishuka. Tanzania pia ilikuwa tulivu wa kisiasa kufuatia uchaguzi wa Mhe. rais Magufuli. Mfumuko wa bei kwa mwaka ulipungua na kuwa asilimia tano (5%) mwaka 2016 kutoka asilimia sita nukta nane (6.8%) mwaka 2015 kutokana na sera madhubuti za kifedha.

Katika mwaka husika, pato la taifa la Tanzania lilikua kwa makadirio ya asilimia sita nukta nane (6.8%) ikilinganishwa na asilimia saba (7%) mwaka 2015. Hii ilichangiwa na ukuaji kadhaa katika sekta ya uchumi hasa: Madini, Ujenzi, Mawasiliano na Kilimo.

Sekta ya ujenzi inakadiriwa kukua kwa asilimia saba nukta tatu (7.3%) mwaka 2016, ikiwa ni kwa kiwango cha chini ikilinganishwa na kiwango cha mwaka 2015 kutokana na kusitishwa kwa utoaji wa miradi ya miundo mbinu ya umma na mabadiliko ya haraka ya sera ambayo yalisababisha kutokuwa na uhakika wa biashara. Hata hivyo, matarajio ya ukuaji wa miradi ya sekta ya maendeleo ya miundombinu, inawavutia wazalishaji wapya kwenye sekta ya simenti wakiwa na nia ya kupata faida kutokana na ongezeko la mahitaji, na pia kuingia kwa wingi kwa simenti toka nje ya kiwango hafifu iliyoingizwa na madalali kipindi cha mwaka 2015 na mwanzoni mwa mwaka 2016. Katika kushughulikia suala la uingizaji wa bidhaa hafifu, makampuni ya simenti Tanzania kupitia Umoja wa Wazalishaji wa Simenti wa Afrika Mashariki (EACPA), unaihusisha Serikali ambayo imeweka ongezeko kutoka asilimia kumi (10%) ya ushuru wa bidhaa hiyo mpaka asilimia thelathini na tano (35%) kwa simeti toka nje ya nchi kwa mwaka.

Bado tuna matarajio na mipango kabambe ya maendeleo ya miundo mbinu chini ya Mpango wa Maendeleo wa Serikali na maono ya mwaka

2025 na tunatarajia miradi kushika kasi katika robo ya pili ya mwaka 2017. Tanga Cement PLC ina uwezo wa kukidhi sehemu kubwa ya mahitaji ya simenti nchini na imejizatiti katika uzalishaji wa bidhaa bora za simenti.

Maelezo ya Jumla ya Fedha na Uendeshaji

Mtazamo wetu kibiashara kwa mwaka 2016, ulikuwa wenye faida na ulisababishwa na utendaji bora wa jumla na ufanisi kibiashara ili kuendelea kupambana na changamoto za ushindani wa hali ya soko.

Katika kipindi hiki cha mwaka, kampuni ilizindua tanuru ya pili ya uzalishaji klinka katika kiwanda chake cha Tanga, na kuondokana na uhitaji wa kununua klinka pia kuweza kupata mapato ya ziada kutokana na uuzaji wa klinka ya ziada. Matokeo ya hili, uzalishaji wetu wa klinka umeongezeka na kufikia tani milioni moja laki mbili na nusu (tani 1.25mil) mwaka 2016. Kampuni ilianza kuuza klinka yake ya kwanza katika mwaka huu wa mapitio, kufuatia uzinduzi wa tanuru hiyo ya pili.

Upepo wa soko katika kipindi cha mwaka wa mapitio ulikuwa na athari kwenye mapato yatokanayo na mauzo kwa asilimia ishirini (20%) kwa mwaka ambazo ni shilingi za kitanzania bilioni miambili na tisa (Tsh 209 bili) na kuwa shilingi za kitanzania billioni mia moja sitini na saba (Tsh 167 bili) kwa mwaka husika kutokana na kuendelea kwa ushindani na shinikizo la soko na matumizi madogo ya Serikali katika miradi ya miundo mbinu.

Mtazamo wa kampuni wa kuboresha ufanisi wa utendaji na mipango ya usimamizi na udhibiti wa gharama za kiutendaji, ilikuwa ni moja ya sababu kuu zilizoweza ukuaji wa faida ghafi kwa kiwango cha asilimia kumi na sita (16%) kufikia shilingi za kitanzania bilioni hamsini na nne (Tsh54 bili) kwa mwaka.

Gharama za uzalishaji zilizopungua ndio msingi wa matokeo chanya ya ongezeko la mapato ghafi (EBITDA) kwa asilimia thelathini na moja (31%) ambayo ni shilingi bilioni thelathini na nane (Tsh38 bili) ikilinganishwa na shilingi bilioni ishirini na tisa (Tsh29 bili) zilizopatikana mwaka 2015.

Faida ya uendeshaji ilishuka kwa asilimia sifuri nukta tano (0.5%) ambayo ni shilingi bilioni kumi na tisa nukta nane (Tsh19.8 bili) ikilinganishwa na shilingi bilioni kumi na tisa nukta tisa (Tsh19.9 bili) kwa mwaka 2015 hasa kutokana na matarajio ya ongezeko la asilimia mia moja tisini na nane (198%) ya kushuka kwa thamani kulikotokana na kukua kwa kina kwa mtaji kulikotokana na mtambo mpya wa uzalishaji klinka uliozinduliwa mwanzoni mwa mwaka 2016.

Faida kabla ya kodi ilipungua na kuwa shilingi za kitanzania bilioni tano

nukta saba (Tsh5.7 bili) kutoka shilingi za kitanzania bilioni nane nukta saba (Tsh8.7 bili) mwaka uliopita na ilitokana na ongezeko la ulipaji wa deni kuu ambalo limetokana na fedha iliyotumika kwaajili ya upanuzi wa uwezo wetu wa uzalishaji.

Kundi lilirekodi faida halisi baada ya kodi ya shilingi za kitanzania bilioni nne nukta tatu (Tsh4.3 bili) ambayo ni ya kiwango cha chini kutoka shilingi za kitanzania bilioni nane nukta mbili (Tsh8.2 bili) ya mwaka 2015 iliyoathiriwa na gharama za kodi kwa mwaka.

Mtiririko wa fedha kutokana na shuhuli za kibiashara uliboreka kwa asilimia kumi na tano (15%) na kuwa shilingi bilioni thelathini na tano nukta tisa (Tsh35.9 bili) kwa mwaka 2016 ikionesha hali ya utendaji mzuri wa kundi katika soko la simenti lenye ushindani mkubwa.

Kampuni ilitumia sehemu muhimu ya pesa iliyokuwepo kwaajili ya kugharamia upanuzi wa mtaji badala ya kutumia mkopo wote uliokuwepo. Mpango huu kwa kiasi kikubwa utaipatia faida kampuni kwenye gharama za kifedha kwa kipindi kirefu. Kufuatana na fedha iliyoko mkononi, tarehe 31 Disemba 2016 ilipungua kufikia shilingi za kitanzania bilioni mbili nukta tano (Tsh2.5 bili) kutoka shilingi za kitanzania bilioni kumi na nane nukta tatu (Tsh18.3 bili) kwa kipindi cha mwaka husika.

Katika kuendelea kutilia mkazo kwenye mauzo na mipango bora katika upunguzaji matumizi, Tanga Cement PLC inaendelea kutafuta njia za kuongeza thamani ya wadau wake. Kampuni bado inamatumaini na mwaka 2017 licha ya mazingira ya ushindani yaliyopo. Juhudi za serikali za kuchochea ukuaji wa uchumi kupitia maendeleo ya miundo mbinu na uendelezaji wa viwanda vya ndani, zitachochea uzalishaji wa ndani wa simenti na matumizi wakati ikipunguza kuingia kwa wingi wa simenti toka nje.

Gawio

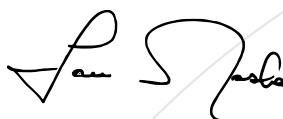
Bodi ilitangaza na kulipa gawio la mpito shilingi hamsini na tano kwa hisa (Tsh55) kiasi cha shilingi za Kitanzania bilioni tatu nukta tano (Tsh3.5 bili) (2015:55) pia kampuni imetangaza gawio la mwisho wa mwaka 2016 la shilingi za kitanzania ishirini na tano kwa hisa (Tsh25) kwa mwaka 2016 kuwa shilingi themanini kwa hisa (Tsh80)(2015:Tsh80).

“Bodi imetangaza na kulipa gawio la mpito na shilingi hamsini na tano kwa hisa (Tsh55) na gawio la mwisho shilingi ishirini na tano kwa hisa (Tsh25). Jumla inakuwa Tsh80 kwa hisa ambayo ni sawa na Tsh5.094 bilioni.”

Hitimisho

Tanga Cement PLC inawashukuru wafanyakazi wake kwaajili ya upendo na kujitoa kwao kwaajili ya kampuni na wateja wake kwa kuiamini Simenti chapa Simba, ambapo kampuni inafanyakazi kufikia malengo yake ya muda mfupi na muda mrefu.

Pamoja na Tanzania kuwa ya pili kwa ukubwa kwa soko la masuala ya ujenzi Afrika Mashariki, uzalishaji wa simenti unatarajiwa kuongezeka na Tanga Cement PLC imejiweka tayari kwa kufaidika na fursa hizi za ukuaji wa soko. Tuna shauku ya kufikia malengo makubwa pamoja mwaka 2017 tukishirikiana na wadau wetu.



Wakili Lau Masha

Mwenyekiti wa bodi

Managing Director's Report

It is with great pleasure that we present the financial performance for the year ended 31 December 2016. Against this backdrop of various challenges and opportunities faced during the year under review, we made good progress. The implementation of our strategic actions is well advanced and our business model proved resilient and viable.

Our performance reflected results of enhanced competition in the market, due to planned government infrastructure projects that continues to attract new market entrants. However, industry's engagement with Government yielded a sharp decrease in imported cement as the Government increased duties on cement and cement products.

Quality remains central in our business as proven by the recognition of Simba Cement as a Super Brand and the company's ISO certifications. This extends to all areas of our business including financial reporting where Tanga Cement was once again recognised for excellence in financial reporting by the National Board of Auditors and Accountants.

Performance

Our top line experienced a twenty percent (20%) percent year on year drop, with sales revenues of Tanzania shillings One hundred sixty seven billion (Tzs 167bn) in FY2016 compared to Tanzania shillings Two hundred and nine billion (Tzs 209bn) in FY2015. Nevertheless, the company demonstrated its resilience and ability to remain operative and profitable despite the competition, by way of adoption of sustainable go to market strategies. The result was growth in profitability margins and increased operational efficiency while retaining our superior performance.

The commissioning of the second integrated kiln and manufacturing line, Tanga Kiln Two (TK2) was among our key achievements. TK2 was a two-year construction project at an investment of One hundred fifty million USD (\$150 million), in line with the budget and within the scheduled timeframe. The new production line more than doubled our clinker and cement capacity to one million two hundred fifty tons per annum (1.25million t/yr) making Tanga Cement self-sufficient in clinker in the long term and providing an avenue for additional revenue from sale of excess clinker. TK2 will position Tanga Cement to meet the anticipated increase in future cement demand and improve the production efficiencies through this new modern production systems.

The operational efficiencies introduced by the new integrated production line, contributed to the decrease in our cost of sales to One hundred twelve point five billion Tanzania shillings Tzs112.5bn, a thirty point nine percent (30.9%) decrease from One hundred sixty two billion Tanzania shillings Tzs162bn in the previous year. We optimised our logistics by decreasing third party road transportation and increasing use of rail transport to major towns, taking advantage of our direct access to the rail line into our packing and loading bay. Our agreement with Tanzania Railway Ltd (TRL) also allowed us to utilise more of their wagons dedicated to Tanga Cement PLC as well as rail depots as central distribution points, reducing our storage and transportation costs further and consequently boosting rail transport and distribution in Tanzania.

“TK2 will position Tanga Cement to meet rising demand in future and improve our production efficiency through its modern system.”

Ensuring Sustainable Growth

We recognise that market dynamics keep changing; we are adopting our strategies to suit market dynamics while remaining cognisant of our core business and our responsibility to all our stakeholders.

We will continue with the implementation of our cost optimisation programme as well as enforcing additional efficiency measures in production and operations while retaining our brand reputation of being the highest quality product.

In line with our strategic growth plans we will be increasing our cement production capacity with a grinding plant in the Northern region to take advantage of the growing cement demand along the northern corridor of Tanzania.

Outlook

We continue to seek out new opportunities and innovate on our production efficiency, product offering and distribution solutions to supply our products to upcoming infrastructure projects.

2017 is poised to provide exciting opportunities from geopolitical developments and increased competition.

Despite the initial delay by government in the roll-out of these projects, we remain optimistic that they will pick up in the near future as indicated by government.

The anticipated large infrastructure projects such as the oil export pipeline from Uganda through Tanga in Tanzania, the Standard Gauge Railway (SGR), Dar es Salaam and Tanga port upgrades, and an ultra-modern sports stadium in Dodoma, are anticipated to shore up the demand for cement in Tanzania over the next five years.



Reinhardt Swart
Managing Director

Ripoti ya Mkurugenzi Mtendaji

Ni kwa furaha kubwa tunawasilisha taarifa ya utendaji kwa mwaka ulioishia tarehe 31 Disemba 2016. Kutokana na changamoto mbalimbali pamoja na fursa tulizokutana nazo katika kipindi cha mwaka husika, tumepiga hatua. Utelekelezaji wa mikakati yetu imeendelea vizuri na muundo wetu wa biashara umeimarika na kutekelezeka.

Utendaji wetu umeakisi matokeo ya ongezeko la ushindani katika soko, unaotokana na mipango ya Serikali ya miradi ya miundo mbinu ambayo imeendelea kuvutia washindani wapya sokoni. Hata hivyo, sekta kwa kushirikiana na Serikali imefanikiwa kupunguza kwa kasi uingizwaji wa simenti kwa Serikali kuongeza ushuru kwenye simenti na bidhaa zitokanazo na simenti.

Ubora ni muhimu sana katika biashara yetu kama inavyothibitishwa na kutambulika kwa simenti ya Simba kama chapa bora na vyeti vya ISO ambavyo kampuni ilivipata. Hii inaenea katika maeneo yetu yote ya kazi ikijumlishwa na upande wa taarifa zetu za fedha ambapo kwa mara nyingine Tanga Cement ilipata tuzo na utunzaji bora wa hesabu inayotambulika na bodi ya wahasibu na waaguzi.

Utendaji

Utendaji wetu ulishuka kwa asilimia ishirini (20%) kwa mwaka, ambapo mauzo yalikuwa shilingi za kitanzania bilioni mia moja sitini na saba (Tsh167 bili) kwa mwaka wa fedha 2016 ikilinganishwa na shilingi za Kitanzania bilioni mia mbili na tisa (Tsh209 bili) kwa mwaka wa fedha 2015. Hata hivyo, kampuni ilionesha uimara na uwezo wa kuendelea na utendaji kwa faida licha ya ushindani, kwa njia ya mikakati endelevu kufuatana na hali ya soko ilivyo. Matokeo yalikuwa ni kukua kwa faida na kuongezeka kwa ufanisi katika utendaji wakati huo huo tukiendelea kulinda utendaji wetu ulio bora.

Uzinduzi wa tanuru ya pili (TK2), ilikuwa ni miongoni mwa mafanikio yetu makubwa. Ujenzi wa tanuru ya pili ulikuwa ni mradi wa miaka miwili ukiwa ni uwekezaji wa dola za kimarekani milioni mia moja

“Tanuru namba mbili (TK2) litaiwezesha Tanga Cement kutimiza mahitaji yatakayo ongezeko hapo baadaye na kuboresha uzalishaji kupitia mfumo wa kisasa.”

hamsini na mbili (US\$152 mili), ukienda sambamba na bajeti na muda uliopangwa. Tanuru hili limeongeza kiwango chetu cha uzalishaji wa klinka na simenti na kufikia tani milioni moja laki mbili na hamsini (1.25 mili tani) kwa mwaka, na kuifanya Tanga Cement kujitosheleza katika uzalishaji wa klinka kwa muda mrefu na kutoa njia ya kuongeza mapato kutokana na mauzo ya klinka ya ziada. Tanuru namba mbili (TK2) litaiwezesha Tanga Cement PLC kutimiza mahitaji yatakayo ongezeko hapo baadaye na kuboresha uzalishaji kupitia mfumo wa kisasa.

Kwa kuwa na utendaji wa kiufanisi wa tanuru mpya, gharama zetu za mauzo zilipungua na kuwa shilingi za kitanzania bilioni mia moja kumi na mbili nukta tano (Tsh112.5 bili), ikiwa ni pungufu kwa asilimia thelathini nukta tisa (30.9%) kutoka shilingi za kitanzania bilioni mia moja sitini na mbili (Tsh162 bili) kwa mwaka uliopita. Tumeboresha eneo letu la usambazaji kwa kupunguza watu wa kati katika usafirishaji wa barabara na kuongeza matumizi ya usafiri wa reli katika miji mikubwa, tukifaidika na

ukaribu wetu na reli. Mkataba wetu na Tanzania Railway Ltd (TRL) pia ulituwezesha kutumia maghala yao kama vituo vyetu vya usambazaji, ikitupunguzia zaidi gharama za uhifadhi na usafirishaji na hivyo kuupa nguvu usafiri wa reli Tanzania

Kuhakikisha Ukuaji Endelevu

Tunatambua kwamba miendendo ya soko inaendelea kubadilika; tunapanga mikakati yetu kulingana na mabadiliko ya wakati huku tukiendelea kutambua misingi yetu ya biashara na wajibu wetu kwa wadau wetu.

Tutaendelea kutekeleza mpango wetu wa kupunguza gharama kwa kuongeza kiwango zaidi cha ufanisi kwenye uzalishaji na uendeshaji wakati tukiendelea kulinda hadhi ya chapa yetu kwenye ubora wa hali ya juu wa bidhaa zetu. Pia tunapanga kuongeza kiwango cha uzalishaji kwa kuwekeza kwa kujenga kinu cha kusagia simenti eneo la kaskazini ili kupata faida ya eneo la kijografia na mahitaji ya eneo la kaskazini mwa Tanzania.

Mtazamo wa Mbele

Tutaendelea kutafuta fursa na kujiweka katika nafasi ya kusambaza bidhaa zetu sokoni kwenye miradi ijayo ya miundo mbinu. Pamoja na ukimya katika utekelezaji wa miradi hii, bado tunayo matumaini kuwa miradi hiyo itatekelezeka siku za karibuni. Matarajio ya miradi mikubwa ya ujenzi wa miundo mbinu kama bomba la mafuta toka Uganda kwenda Tanga Tanzania, ujenzi wa reli ya kiwango cha kisasa, bandari za Dar es Salaam na Tanga, na uwanja wa kisasa mjini Dodoma, vinatarajiwa kuchochea mahitaji ya simenti nchini Tanzania katika kipindi cha miaka mitano ijayo.



Reinhardt Swart
Mkurugenzi Mtendaji

Corporate Social Investment

Doing Business Responsibly

Tanga Cement Public Limited Company is an ethically responsible business, cognisant of the environment in which we operate and the stakeholders who are directly and indirectly touched by our business operations. Making cement is an energy and resource intensive process with both local and global impacts; as management we recognise that our business is an enabler to sustainable infrastructure development and we continue to ensure investment in our People and Planet.

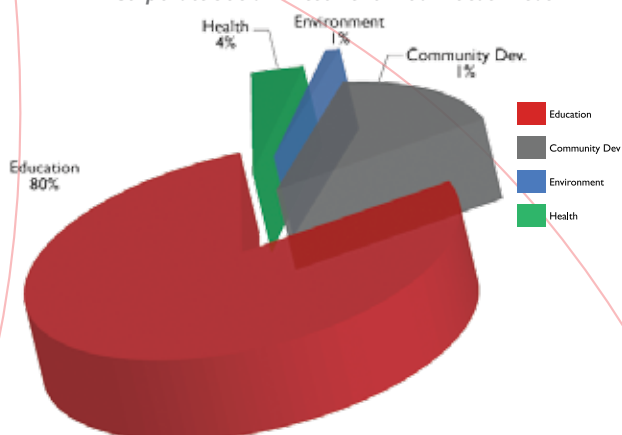
1. Our People

Sustainability often begins with passionate employees and therefore our people are key stakeholders in our agenda for doing responsibly. As at December 2016, Tanga Cement PLC had 300 employees, directly impacting approximately 3000 lives. We invest in our people through fair remuneration, a favourable work environment and provision of benefits such as medical insurance and pension funds. We also invest in continuous learning for staff by supporting skills development.

2. Our Community

Our Corporate Social Investment is focused on driving social impact in Education, Health, Community development and Environment. Tanga Cement PLC's CSI policy is to invest up to one percent (1%) of its profit to specific and pre-defined projects, associations and charities. Our 2016 total spend in Corporate Social Investment, was spread through the four focus areas with education receiving the largest contributions at 80% while community development received 15%.

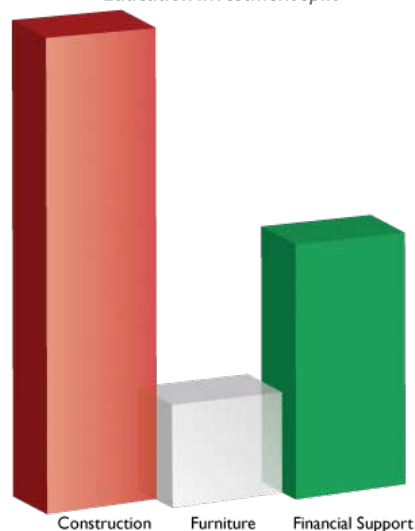
Corporate Social Investment in our Focus Areas



3. Education

In the year under review, we contributed to a conducive learning environment by constructing long-term school structures in Tanga, Dar es Salaam and Mwanza. We constructed classrooms and washrooms for an institution for mentally handicapped children in Dar es Salaam and for Kichalikani Primary School in Tanga where the students have been learning in temporary structures. We refurbished a library in Mwanza, as support to Read International whose mission is to create safe, inspiring libraries in secondary schools in Tanzania. We also donated desks to Tanga region's primary schools, constructed

Education Investment split



classroom and desks in Kichalikani Primary School in Mkinga, and two classrooms and desks for Maweni Primary School, both schools are in Tanga region.



4. Community Development

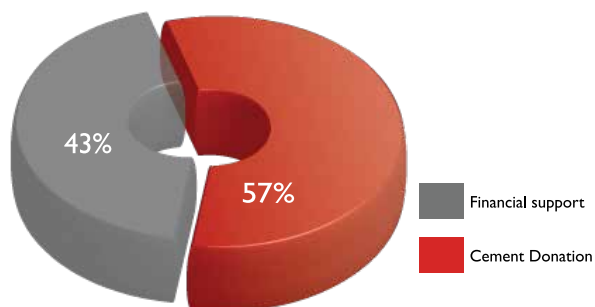
At a national level, we supported the Government in relief efforts in Bukoba following an earthquake in September 2016 that caused widespread damage. We donated one thousand bags of cement for reconstruction of amenities.

We kept our tradition of supporting the annual Tanga Road safety week through our Three million Tanzania Shillings (Tzs3 million) contribution to the Tanga Regional Authority and Road Safety Committee, to sensitise people and enhance structures for safety on our roads.

Our community includes our security forces, who we supported through a Five million two hundred and forty thousand Tanzania Shillings (Tzs 5.24 million) contribution to the renovation of the Ilmela Police Post Authority in Mwanza and donation of five tons (5 tons) of cement for the construction of police posts at Maramba in Tanga region.

Tanga Cement also donated four hundred bags of cement for the construction of an elderly people's home in Dar es Salaam, and beds and other items to a special ward at the Handeni District Hospital in Tanga

Community Development investment split



5. Environment

As part of our involvement in environmental conservation, we have supported Friends of Serengeti for several years. In 2016, we donated 12.5 tons of cement for the upgrade of Serengeti and Tarangire National Parks in northern Tanzania.

Mabere before



Mabere After



Uwekezaji wa Kijamii wa Kampuni

Kufanya Kazi kwa Kuwajibika

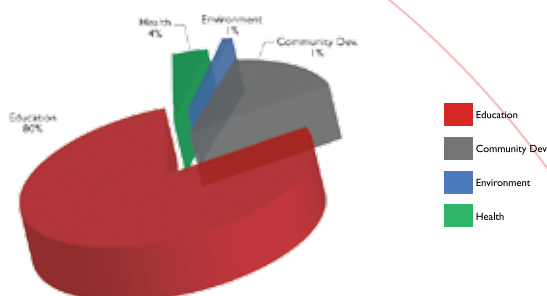
Tanga Cement Pulic Limited Company ni kampuni inayofanya biashara kimaadili, ni wajuzi katika masuala ya mazingira tunayofanyia kazi pamoja na wadau ambao kwa namna moja au nyingine tunagusa maisha yao kupitia utendaji wetu wa kazi. Utengenezaji wa simenti ni mchakato wa kina unaotumia nishati na rasilimali wenye kuleta athari ndani ya nchi na dunia kwa ujumla; kama uongozi tunatambua kwamba biashara yetu ni kichocho cha maendeleo endelevu ya miundombinu na bado tunaendelea uwekezaji kwa watu pamoja na dunia.

1. Watu Wetu

Uendelevu huanzia kwa wafanyakazi wenye shauku na hivyo basi wafanyakazi wetu ni wadau wakubwa sana katika ajenda yetu ya kufanyakazi kwa kuwajibikaji. Mpaka Disemba 2016, Tanga Cement PLC ilikuwa na jumla ya wafanyakazi mia tatu (300), moja kwa moja tunagusa maisha ya watu zaidi ya elfu tatu (3000). Tunaweza kwa watu kwa kuwapatia mishahara ya haki, mazingira mazuri ya kazi pamoja na kuwapatia motisha mbalimbali kama vile Bima ya matibabu na fedha za pensheni. Pia tunaweza katika kuwaendeleza kielimu wafanyakazi wetu kusaidia kuwaendeleza kiujuzi.

2. Jamii yetu

Uwekezaji wa kampuni kwa jamii unalenga katika kuondoa athari za kwenye masuala ya Elimu, Afya, Maendeleo ya jamii na Mazingira. Sera ya uwekezaji kwa jamii ya Tanga Cement PLC ni kuwekeza mpaka asilimia moja (1%) ya faida yake kwa miradi maalum, taasisi na taasisi zinazotoa misaada. Matumizi yetu kwa mwaka 2016 kwenye uwekezaji wa kampuni kwa jamii, yalielezwa kwenye maeneo makuu yaliyolengwa ambapo elimu ikipata mgawo mkubwa wa asilimia themanini (80%) wakati maendeleo ya jamii ikipata asilimia kumi na tano (15%).



Maeneo Makuu ya Uwekezaji kwa Jamii

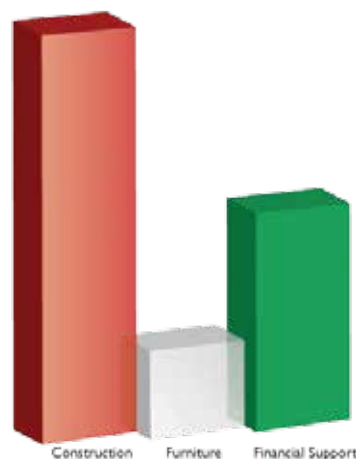
3. Afya na Usalama

Maisha ya kila mfanyakazi ni muhimu kwetu. Tumeweza kuzingatia ubora wa hali juu wa Afya na Usalama wa wafanyakazi wetu kama ilivyoanishwa na Sheria yetu ya Afya na Mazingira. Kampuni yetu inazingatia sheria ya Afya na Usalama ambapo tuliweza kumaliza ujenzi wa Kinu chetu ch Pili bila ajali yoyote kwa mwaka 2016 na hakukuwana ripoti zozote za majeraha makubwa za wafanyakazi wetu

4. Elimu

Katika mwaka husika, tulichangia ili kuboresha mazingira ya kusomea kwa kujenga majengo mbali mbali ambayo yatadumu kwa muda mrefu katika mikoa ya Tanga, Dar es Salaam pamoja na Mwanza. Tulijenga madarasa na vyoo kwa ajili ya taasisi ya watu wenye ulemavu mkoa wa Dar es Salaam na shule ya Msingi Kichalikani iliyopo mkoani Tanga ambapo wanafunzi walikuwa wanasoma kwenye majengo yasiyo rasmi. Tulikarabati maabara mkoani Mwanza, kama msaada kwa taasisi ya Read International yenye lengo la kutengeneza maktaba

Mgawanyiko wa Uwekezaji kwenye Elimu



salama, zenye ushawishi katika shule mbalimbali za Sekondari nchini Tanzania. Pia tumechangia madawati kwa shule za msingi za mkoa wa Tanga, kujenga darasa na kuchangia madawati katika Shule ya Msingi Kichalikani iliopo Mkinga na kujenga madarasa mawili na kuchangia madawati kwa shule ya msingi Kange zote za mkoa wa Tanga

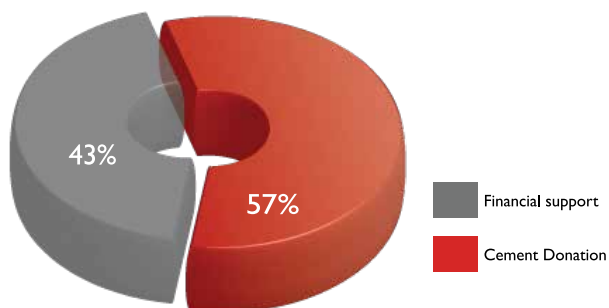
4. Maendeleo kwenye Jamii

Katika ngazi ya kitaifa, tuliisaidia Serikali kwa kutoa msaada kwaajili ya kusaidia athari za Tetemeko la ardhi lililotokea mkoani Bukoba mwaka 2016 ambazo lilisababisha uharibifu mkubwa. Tuliweza kuchangia jumla ya mifuko elfu moja (1000) ya simenti kwa ajili ya ujenzi wa sehemu za huduma.

Tuliendelea na desturi yetu ya kuchangia Maadhimisho ya wiki ya nenda kwa usalama ya mkoa wa Tanga kwa kutoa jumla ya Milioni Tatu (Tsh3 mili) kama mchango wa kampuni kwenda kwa Uongozi wa Jiji la Tanga pamoja na Kamati ya Usalama katika utelekezaji wake wa kuelimisha na kuhamasisha usalama barabarani.

Jamii yetu ni inajumuisha na vikosi vyetu vya usalama, ambavyo tumevichangia jumla ya shilingi Milioni tano laki mbili na elfu arobaini tu (Tzs 5.24 mili) kama mchango wetu katika ukarabati wa Kituo cha

Mgawanyiko wa Uwekezaji kwa Jamii



Polisi Ilemela kilichopo Mkoa wa Mwanza. Tuliweza pia kuchangia Tani tano (tani 5) za simenti kwa ajili ya ujenzi wa Kituo cha Polisi Maramba kilichopo Mkoa wa Tanga.

Tanga Cement PLC ilichangia jumla ya mifuko mia nne (400) ya simenti kwa ajili ya ujenzi wa nyumba ya wazee iliopo jijini Dar es Salaam, pamoja na uchangiaji wa vitanda na vifaa vingine kwa ajili ya wodi maalumu iliopo Hopsitali ya wilaya ya Handeni, mkoa wa Tanga

5. Mazingira

Kampuni ya Tanga Cement imekuwa kinara katika shughuli za uhifadhi mazingira ambapo jumla ya Tani 12.5 za simenti zilitolewa kwa mwaka 2016 kwa ajili ya ujenzi katika Hifadhi za wanyama Tarangire na Serengeti. Mradi huo unaendeshwa na Taasisi ya Marafiki wa Serengeti ambayo Kampuni ya Tanga Cement imekuwa inashirikiana nao katika shughuli mbalimbali za uhifadhi wa mazingira.

Mabere Kabla



Mabere Baada



Corporate Social Responsibility (CSR)

Mission & Policy Statement

Our actions today mould the future

CSR Mission

As part of our commitment to sustainable development, we at Tanga Cement Company Limited recognize our social responsibilities and aim to visibly play a leading role within the company's spheres of influence*.

CSR Policy Statement

We are committed to work with all our stakeholders, building and maintaining relations of mutual respect and trust. We aim to contribute and improve the quality of life of our workforce, their families and the communities around our operations. Our focus areas for social investments are health, education, community development and environment.

The CSR policy statement is an important element of our business and serves as guidance for our decisions and actions. The elaboration of the policy is based on the input of internal and external stakeholders and focuses on areas within our local spheres of influence*.

Tanga Cement Company's CSI policy is to invest upto 1% of its profit before tax to specific and pre-defined projects, associations and charities. Defined areas for corporate social investments are:

Health:

Health is key to productivity and development. Tanzania does not have enough health care infrastructure to cater to its increasing population. The HIV/AIDS scourge has affected the country's development progress and reduced the population in the active age group. Tanga Cement Company is focused on the support of construction of health facilities in the regions we operate within Tanzania.

Education:

Tanga Cement Company Limited is particularly focused on education because as employers we want to contribute to increasing the talent pool from which we recruit whilst simultaneously benefiting the economy and society as a whole. A good formal education however, must be given in the furnished classroom and our involvement is in the construction of the required infrastructure as determined by the communities in the regions in which we operate in Tanzania.

Community Development:

Tanga Cement Company Limited supports community based initiatives that lead to income generation for the communities within the regions we operate in Tanzania. This involves defined support of specific orphanages, particularly those with children orphaned because of HIV/AIDS as well as those infected with the virus.

Environment:

Tanga Cement Company Limited supports community initiatives that lead to conservation and rehabilitation of the environment. This involves support of specific conservation and environmental rehabilitation projects.

* Spheres of influence is defined as investments and activities within defined focus areas in regions where Tanga Cement Company Limited operates.

This policy is subject to regular re-evaluation and revision based on stakeholder involvement and consultation.

Issued by		Revision Number	02
	Board Chairman Lau Masha	Date	October 2014



Safety and Environment Usalama na Mazingira

As a company with a significant impact to the environment, we ensure the least possible damage to land and have in place a quarry reclamation plan for when the quarries are exhausted. We have been proactive on environmental consequences of our operations and as a result have not had an environmental grievance filed against us.

Being an energy intensive company that operates largely on fuel, we have successfully applied various efficiency improvement initiatives to manage our fossil fuel usage in the production of cement.

The new technology clinker and cement production line which was commissioned during 2016 is also notably more energy efficient than the original kiln and production line.

We have increased our utilisation of rail transport and distribution which is greatly reduced fuel usage and enabled us to reduce the carbon emissions from bulk road transportation. We are currently rolling out new technology to stabilise the electrical energy supply and reduce excess consumption related to frequent re-starts of the production processes as one of the measures for mitigation of greenhouse gas emissions.

Throughout 2016 we continued to monitor and manage the growth of more than twenty thousand trees planted from our donation of tree seedlings to the community during 2015. Water supply remains a challenge that we will address by working with the community to employ methods of minimum usage without affecting the wellbeing of the trees.



Tanga Cement is committed to doing business responsibly and sustainably to positively impact peoples' lives and preserve our environment for future generations.

Kama kampuni yenye kuweza kusababisha athari kwenye mazingira, tunahakikisha tunazuia uharibifu wa ardhi na pia tuna mipango mizuri ya ukarabati wa maeneo yetu ya machimbo pindi yanapokuwa yamechoka. Tumekuwa makini sana na matokeo ya utendaji wetu upande wa mazingira na hivyo kuweze kutosababisha kero yoyote inayohusiana na uharibifu wa mazingira kwa jamii.

Kampuni yetu ni kampuni ambayo hutumia nishati kubwa ya mafuta, tumefanikiwa kutumia njia mbalimbali za ufanisi wa kuboresha matumizi yetu ya nishati ya mafuta katika uzalishaji wa simenti.

Tanuru mpya ya uzalishaji wa klika ambayo ilizinduliwa mwaka 2016 imeongeza ufanisi zaidi wa matumizi ya nishati kuliko tanuru ile ya zamani pamoja na mfumo wa uzalishaji.

Tumeongeza matumizi ya usafiri kwa njia ya reli na usambazaji ambayo kwa kiasi kikubwa kimepunguza matuzi ya mafuta na kutuwezesha kupunguza uzalishaji wa hewa ya kaboni kutokana na usafiri wa barabara. Kwasasa tunaanzisha teknolojia mpya kuimarisha usambazaji wa umeme na kupunguza matumizi ya ziada yanayosababishwa na uanzishaji mara kwa mara wa mtambo wa uzalishaji kama moja wapo ya hatua za kupunguza utoaji wa gesi

chafu.

Kwa mwaka mzima wa 2016 tuliendelea kufuatilia na kusimamia ukuaji wa zaidi ya miti elfu ishirini tuliopanda kutoka kitalu cha miche ambayo tuligawa kwa jamii kwa mwaka 2015. Usambazaji wa maji bado ni changamoto ambayo tutaishuhulikia tukishirikia na jamii kwa kutumia mbinu za kuwezesha matumizi ya maji kwa kiasi cha chini bila kuathiri ustawi wa miti.



Tanga Cement inayo nia ya kufanya biashara kwa kuwajibika na kiuendeleu ili kuchangia ipasavyo katika kulinda maisha ya watu na mazingira kwaajili ya vizazi vijavyo.

Occupational Health And Safety Policy

My Safety Is Our Safety

Policy

Tanga Cement Company Limited is passionate about people and their health and safety. Our objective is ZERO harm. We therefore accept the following:

Objectives

1. We accept OHS as an integral part of our competitive advantage where all stakeholders understand the relationship between profitability and OHS.
2. We commit to prevention of injury and ill health and the continual improvement of our systems and performance which provides a framework for setting and reviewing OHS objectives and targets.
3. We will achieve the highest levels of health and safety through active and competent risk management and the establishment of sound work practices.
4. We comply with all legislation and with other requirements where applicable.
5. We commit to train, develop, provide experience and skills to ensure our workforce acknowledges, understands and manages hazards and risks associated with their work.
6. Our equipment shall be maintained to the highest standards and all changes to equipment or processes shall be subject to a risk-based change management approach.
7. We openly engage and communicate with all interested and affected parties
8. We report all incidents, analyse root causes and search for best practices
9. We shall review this policy regularly to ensure relevance and appropriateness
10. This policy shall be made available to all interested and affected parties.

Issued by		Revision Number	02
	Board Chairman Lau Masha	Date	October 2013



Quality

SIMBA CEMENT PRODUCTS

Simba Cement is well known for its high quality cement products which have made a significant contribution to various infrastructural developments in East African countries for many years.

Our cement products are used in constructions of houses, schools, roads, bridges, dams, and other essential facilities for local communities.

Simba Cement brand products are manufactured using best-in-class equipment and processes that is carefully designed and controlled by a team of dedicated professionals. The industrial performance of our cement products in its various applications are constantly monitored to maintain the highest standards of quality, consistency and strength.

This was achieved through constantly reviewing and improving our production processes to ensure optimal efficiency, with the lowest possible impact on product quality and the environment.

Products

Simba cement products are manufactured in accordance to Tanzania cement standard TZS 721-1:2002 which is equivalent to European Norm Standard EN 197-1:2000 and East African Standard EAS 18-1:2001.

Our production processes and quality management systems are ISO 9001 certified and we proudly operate in compliance with our ISO 14001 environmental management system certification.

We manufacture the following cement products which are uniquely developed for different applications:

SIMBA BORA [CEM II/A-L, 42.5N]

CEM II/A-L, 42.5 N is Portland Limestone cement with limestone extenders. It is a high strength class of cement specifically designed for applications where high strength is a design specification, and can be used in various construction applications like:

- Structures, structural and non-structural cast constructions
- Reinforced concrete for foundations, columns, beams, slabs, girdles, bearing walls etc.;
- Pre-cast elements made from normal and reinforced concrete;
- Concrete used for repairs to civil and industrial works, fillings, coating of reinforced and non-reinforced elements;
- Special floor screeds and mortars;
- Mining infrastructure and shafts.

Features and Benefits

- This versatile and cost-effective cement because of its workability, strength and durability;
- It saves time because of its high strength capability
- It is popular for many specialised applications.

SIMBA IMARA [CEM II/B-M, 32.5 R]

CEM II/B-M, 32.5 R is a Portland composite cement with pozzolana extenders. It is an all-purpose class cement and can be used to constructions such as:

- Structural and non-structural cast, foundations, columns, beams,

walls, girdles, paving slabs, kerbs, interlocking pavement slabs, bricks etc.;

- Elements made of normal and reinforced concrete in environments with low and moderate aggressiveness specifications;
- Elements made of reinforced concrete, in environments with low carbon aggressiveness and low sulphate activity;
- Water reservoirs;
- Mortar for filling joints between pre-cast elements;
- Mortar for special flooring applications.

Features and Benefits

- This cement offers guaranteed high-performance and reactive mineral components with excellent cementitious properties;
- It allows for a smooth, defect-free finish on concrete, masonry and plaster work;
- It maintains strength and stability for years;
- It creates durable concrete and is suitable for aggressive conditions;
- It is perfect for reducing the heat of hydration during bulk concrete works;
- It improves concrete's resistance to chemical attack;
- It makes concrete highly resistant to alkali-aggregate reaction and is suitable for reducing the permeability of concrete in water retaining structures;
- It offers high workability which makes it easy to work with;
- It produces consistently good and predictable results.

SIMBA BARABARA [CEM II/B-M, 32.5 N]

CEM II/B-M, 32.5 N is a Portland composite cement specifically for use in road stabilization, and is specially formulated to improve the engineering properties of soil.

- It has been developed and tested to achieve good performance across a broad range of road material types;
- It offers consistent strength and durability to road sub-bases, making it ideal for road construction.

Features and Benefits

- It improves the engineering properties of soil by reducing plasticity and enhancing the strength of road based materials;
- It ensures durability, stability and strength;
- It achieves good stability across a broad range of road materials;
- Its longer setting times make it ideal for road stabilization as it allows for adequate time to place and compact material.

Ubora

BIDHAA ZA CHAPA YA SIMBA SEMENTI

Simba Simenti inajulikana sana kwa ubora wake wa hali ya juu ambayo imetoa mchango mkubwa sana katika maendeleo ya miundo mbinu katika ukanda wa Afrika Mashariki kwa miaka mingi sana.

Bidhaa zetu za simenti zinatumika katika ujenzi wa nyumba, mashule, barabara, madaraja, mabwawa na majengo mengine muhimu kwa jamii.

Bidhaa za simenti chapa Simba huzalishwa kwa kutumia mitambo bora sana na mchakato wa uzalishaji hufanywa kwa uangalifu na kudhibitiwa na timu ya wataalam wenye moyo wa utendaji. Ufanisi wa bidhaa zetu kitaalam katika matumizi mbali mbali daima husimamiwa kwa ukaribu zaidi ili ziweze kutoa matokeo ya ubora wa hali ya juu, uthabiti na nguvu.

Hii ilifanikiwa kwa kupitia mara kwa mara na kuboresha mchakato wetu wa uzalishaji kuhakikisha ufanisi wa hali ya juu, bila kuathiri ubora wa bidhaa zetu na uharibifu wa mazingira.

Bidhaa

Mchakato wa mfumo wetu wa uzalishaji na mfumo wa udhibiti wa ubora umethibitishwa kwa kufuata ISO 9001 na tunayofahari kwa kufanyakazi kufuata mfumo wa usimamizi wa mazingira ISO 14001;

SIMBA BORA [CEM II/A-L, 42.5N]

CEM II/A-L, 42.5 N ni Portland Limestone simenti iliyotengenezwa kwa mawe yenye mchanganyiko wa mawe ya chokaa. Ni simenti ya daraja la juu ambayo imetengenezwa kwaajili ya mahitaji maalum ya kubuni vitu vinayohitaji nguvu ya hali ya juu, na inaweza kutumika kwa aina mbalimbali za ujenzi kama vile;

- Majengo, miundo na ujenzi wa majengo yasiyo ya kimiundo.
- Zege kwaaji ya misingi imara, minara, mihimili, mabamba, mikanda, gololi za kuta, n.k;
- Elementi zilizoundwa kutokana na zege la kawaida na zege lililoimarishwa;
- Zege linalotumika kwaajili ya marekebisho ya kazi za uashi wa kawaida na kazi za viwandani, kujazia, kupaka sehemu imara na elementi za sehemu zisizo imara;
- Fito za sakafu maalum na mota;
- Miundombinu ya madini na machimbo.

Sifa na Faida

- Simenti hii ni thabiti na ya gharama nafuu kutokana na utendaji wake, nguvu na uimara;
- Huokoa muda kwasababu ya nguvu yake yenye uwezo wa hali ya juu;
- Ni maarufu kutokana na matumizi yake mengi ya kitaalam.

SIMBA IMARA (CEM II/B-M, 32.5R)

CEM II/B-M, 32.5 R ni aina ya simenti iliyo na viungo vya pozolana.

- Ni simenti yenye nguvu ya kawaida itumikayo kwa lengo maalumu na inaweza kutumika kwenye ujenzi kama vile;

- Miundo na miundo isiyo ya kumimina, misingi, nguzo, mihimili, kuta, mishipi, ukingo wa barabara, ubamba wa jiwe, vipande vya mawe vilivyofungamana, matofali n.k.
- Elementi zinazoundwa na uimarishaji halisi, kwenye mazingira yenye uchochezi wa wastani na chini.
- Mota kwa ajili ya kujazaia viungo vya kati ya elementi
- Mchanganyiko maalum kwa ajili ya usakafishaji maalumu.

Sifa na Faida

- Simenti hii inakuhakikishia utendaji wa hali ya juu na kukupa uhakika katika utendaji na vipengele vya madini ambavyo vina uhakika wa kiutendaji na ina nguvu ya malighafi za simenti.
- Inaruhusu umaliziaji wa uhakika, wa kazi ya uashi na upigaji plasta bila ya kuwa na kasoro;
- Inahifadhi nguvu na uimara kwa miaka mingi;
- Inaunda zege imara na hufaa kwa hali isiyo tulivu;
- Ni simenti sahihi kwaajili ya kupunguza joto na upotevu wa maji wakati wa kazi kubwa za ujezi;
- Huboresha nguvu ya zege katika kukabiliana na uvamizi au madhara ya kemikali;
- Hufanya zege kuweza kuzuia madhara ya mkusanyiko wa alkali na hufaa kwa kupunguza upenyaji wa maji yanayobakia kwenye jengo kwa kupitia zege;
- Inakupatia uwezo mkubwa wa kufanyakazi ambayo huifanya iwe rahisi kuifanyia kazi;
- Hutoa uzuri ulio thabiti na matokeo mazuri ya kutabirika.

SIMBA BARABARA [CEM II/B-M, 32.5 N]

CEM II/B-M, 32.5 N ni aina ya simenti ya Portland ambayo hutumika maalum kwa uimarishaji wa barabara, na imetengenezwa maalum kwaajili ya kuboresha viungo vya udongo.

- Imetengenezwa na kufanyiwa majaribio na kupata matokeo mazuri ya kiutendaji katika aina zote za malighafi za ujenzi wa barabara;
- Ina nguvu thabiti na kuzipa uimara barabara ndogo, na kuifanya kuwa bora kwa ujenzi wa barabara.

Sifa na Faida

- Huboresha hali ya udongo kwa kupunguza plastiki na kuimarisha nguvu ya malighafi zitumikazo kutengenezea barabara;
- Huhakikisha umadhubuti, uimara na nguvu;
- Ni thabiti ikilinganishwa na malighafi zote za barabara;
- Ukaukaji wake unaochukua muda huifanya iwe bora kwa uimarishaji barabara kwasababu inaruhusu muda wa kuweka malighafi nyingine.

STRENGTH WITHIN

Quality Policy

Striving for Excellence

Policy

The core business of Tanga Cement Public Limited Company is the manufacturing and selling of cement products to our customers. We will consistently provide product and services in line with the requirements of our customers. This quality policy will guide behaviour that aims to develop, implement and maintain a culture of customer satisfaction. To achieve this, the following policy objectives have been defined:

Objectives

- Management will provide employees with adequate resources in order to achieve the stated objectives.
- Compliance with the requirements of the ISO 9001 quality management system standard and the product requirements of the TZS727:2002 and EAS 18-1:2001.
- Identify customer requirements, plan their realisation and measure our success in meeting them.
- Set specific quality objectives appropriate to the activities of our business units. Measure the progress and review the achievement thereof.
- Audit and continually improve the effectiveness of the documented quality management system.
- Increase quality awareness throughout the organisation by using the company communication systems
- Striving for Excellence to communicate the quality policy to all stakeholders.
- Agree on key performance indicators for all employees, which are directed towards quality performance, personal growth and business goals.
- Share achievement of business performance with employees, shareholders and customers.
- Employees will assist management in the execution of this policy by reporting non-conformities that have an impact on the quality of products and services.

This policy will be reviewed on a periodic basis to ensure that it is best suited to realising the business goals of Tanga Cement Public Limited Company.

Issued by		Revision Number	06
	Board Chairman Lau Masha	Date	April 2015



Value Added Statement

Waraka wa Ongezeko la Thamani

for the year ended 31 December 2016

	2016		2015	
	Tzs '000'	%	Tzs '000'	%
Value Added				
Gross Turnover	166,975,482		209,116,045	
Other Income	2,066,529		236,609	
Other operating expenditure	(112,553,046)		(162,031,875)	
	56,488,965	100	47,320,779	100
Revenue				
To Employees	16,088,409	28.5	20,265,833	42.8
To Government-Corporate Income Tax	1,391,422	2.5	437,085	0.9
To Shareholders-Dividend	5,093,683	9.0	7,640,525	16.1
To Lending Institutions	11,623,259	20.6	1,121,221	2.4
To Expansion and Growth				
-Depreciation	17,801,172	31.5	5,978,004	12.6
-Asset Impaired	293,771	0.5	3,549,424	7.5
-Retained Income	4,197,249	7.4	8,328,687	17.6
	56,488,965	100	47,320,779	100

Kwa mwaka ulioisha tarehe 31 Desemba 2016

	2016		2015	
	Tzs '000'	%	Tzs '000'	%
Thamani iliyoongezwa				
Pato Ghafi	166,975,482		209,116,045	
Mapato Mengineyo	2,066,529		236,609	
Matumizi mengine ya uendeshaji	(112,553,046)		(162,031,875)	
	56,488,965	100	47,320,779	100
Mapato				
Kwa Wafanyakazi	16,088,409	28.5	20,265,833	42.8
Kwa Serikali - Kodi ya mapato ya Kampuni	1,391,422	2.5	437,085	0.9
Kwa Wanahisa - Gawio	5,093,683	9.0	7,640,525	16.1
Kwenda taasisi za ukopeshaaji	11,623,259	20.6	1,121,221	2.4
Kwa Taasisi za Ukopeshaaji				
- Uchakavu	17,801,172	31.5	5,978,004	12.6
- Mali iliyoshuka thamani	293,771	0.5	3,549,424	7.5
- Mapato yaliyobakizwa	4,197,249	7.4	8,328,687	17.6
	56,488,965	100	47,320,779	100

General Information



**SIMBA
CEMENT**
STRENGTH WITHIN

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Tanga Cement Public Limited Company
Pongwe Factory Area
P O Box 5053
Tanga

COMPANY SECRETARY

Mr Quresh Ganijee
Tanga Cement Public Limited Company
Pongwe Factory Area
P O Box 5053
Tanga

AUDITORS

Ernst & Young
4th Floor, Tanhouse Tower, New Bagamoyo rd
P O Box 2475
Dar es Salaam

LEGAL ADVISORS

ENS Africa
6th Floor, International House
Cnr of Shaaban Robert Street & Garden Avenue
P O Box 7495
Dar es Salaam

TAX ADVISORS

PricewaterhouseCoopers
369 Toure Drive, Oysterbay
P O Box 45
Dar es Salaam

BANKERS AND FINANCIAL INSTITUTIONS

NBC Tanzania Limited
P O Box 5031
Tanga

Citibank Tanzania Limited
P O Box 71625
Dar es Salaam

Standard Chartered Bank Tanzania Limited
P O Box 9011
Dar es Salaam

Stanbic Bank Tanzania Limited
P O Box 72647
Dar es Salaam

First National Bank
P.O. Box 72290
Dar es Salaam

Government Employees Pension Fund (GEPF)
41 Matroosberg, Ashley Gardens
Extension 6, Menlo Park
Pretoria, South Africa

Board of Directors | Bodi ya Wakurugenzi

L Masha

(Independent Non-Executive Chairman)
(Mwenyekiti (Si-Mtendaji))

R Swart

(Managing Director)
(Mkurugenzi Mtendaji)

T Wagner

(Independent Non-Executive)
(Si Mtendaji)

K Omar

(Independent Non-Executive)
(Si Mtendaji)

Dr S Olivier

(Non-Executive)
(Si Mtendaji)

P de Jager

(Chief Financial Officer)
(Mtendaji)

Q Ganijee

(Company Secretary)
(Katibu wa Kampuni)

R. Mbilinyi

(Independent Non-Executive)
(Si Mtendaji)

Mr P Rutabanzibwa

(Independent Non-Executive)
(Si Mtendaji)



Directors' report

The directors present their report and the audited consolidated and separate financial statements for the financial year ended 31 December 2016 which disclose the state of affairs of Tanga Cement Public Limited Company ("the Company" or "TCPLC") and its subsidiary, Cement Distributors (EA) Limited (together, "the Group").

1. INCORPORATION

The Company is incorporated in Tanzania under the Tanzanian Companies Act, 2002 as a public company limited by shares.

2. GROUP'S VISION

To be East Africa's preferred cement manufacturer and distributor.

3. GROUP'S MISSION

To develop, produce and distribute consistently high quality cement and related products and services in a sustainable manner to satisfy our customers' expectations.

In delivering on the Group's mission we adhere to our overall business philosophy and strategy of accountability and responsibility to all stakeholders. Only through ownership of this strategy are we able to be a long-term sustainable producer and seller of quality cement products.

Our strict governance structures coupled with a Board and management team whom contributes with international best practices and a wealth of applicable experience, is a key strategic ingredient to delivering on our objective to be the leading cement manufacturer in East Africa and to deliver long-term sustainable value to shareholders.

4. PRINCIPAL ACTIVITIES

The principal activities of the Group during the year continued to be manufacturing, distribution and sale of cement and clinker.

5. COMPOSITION OF THE BOARD OF DIRECTORS

The directors of the Company who served during the year, and to date of this report, are:

Name	Position	Age	Nationality
Mr L. Masha*	Chairperson	46	Tanzanian
Mr R. Swart^	Managing Director	43	South African
Mr P. De Jager^	Chief Financial Officer	45	South African
Dr S. Olivier#	Director	57	South African (resigned 17 March 2017)
Mr K. Omar*	Director	51	Tanzanian
Mr P. Rutabanzibwa*	Director	60	Tanzanian
Mr R. Mbilinyi*	Director	52	Tanzanian (appointed 4 March 2016)
Mr T. Wagner*	Director	69	South African

[^ Executive # Non-executive *Independent Non-executive]

The Company Secretary during the year ended 31 December 2015 was Mr Q. Ganijee (Tanzanian), 34 years old. The Board of Directors met five times during the year.

6. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

Tanga Cement Public Limited Company is committed to the principles of good corporate governance and the Board is of the opinion that the Group currently complies with the principles.

The Board of Directors

The composition of the Board of Directors (the Board) of Tanga Cement Public Limited Company is eight directors. Apart from the Managing Director and Chief Financial Officer, no other directors hold executive positions in the Group. The Board takes overall responsibility for the Group, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring that a comprehensive internal control system is effectively maintained for compliance with Good Corporate Governance principles.

The Board is chaired by the Chairman who has no executive functions. The roles of the Chairman and Managing Director are separate, with each having set responsibilities.

The Board is confident that its members have the knowledge, talent and experience to lead the Group. The majority of the non-executive directors are independent from management and the Group. With their depth of experience, they add value to Board deliberations.

The Board is required to meet at least four times per year. The Board delegates the day-to-day management of the business to the Managing Director, assisted by the senior management team. Senior management is invited to attend Board meetings and facilitates effective communication and control over all of the Group's operational activities, acting as a medium of co-ordination between the Board and the various business units.

All directors have access to the Company Secretary and his services and may seek independent professional advice if necessary. It is the Group's philosophy to manage and control its business on a decentralised basis. Senior management meets on a monthly basis to review the results, operations, key financial indicators and business strategies of the Group. Board meetings are held at least quarterly to deliberate on the results of the Group.

Performance evaluation and reward

Details of the remuneration of directors are disclosed in Note 32 to the consolidated and separate financial statements. The Group utilises the results of market surveys to ensure market related salaries are paid and that market trends are followed in terms of changes in benefits, while taking into account the value of the employee's contribution to the Group. A portion of the incentive remuneration of all managerial staff, especially senior management, is linked to the financial performance of their respective business units and of the Group as a whole.

Risk management and internal control

The Board accepts final responsibility for the risk management and internal control system of the Group. It is the task of management to ensure that adequate internal financial and operational controls are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding the operational effectiveness and efficiency of:

- The effectiveness and efficiency of operations;
- The safeguarding of the Group's assets (including information);
- Compliance with the applicable laws, regulations and supervisory

requirements;

- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance by staff with such measures. Consequently, even a strict and efficient internal control system can provide no more than a reasonable measure of assurance in respect of the above mentioned objective.

The Board assessed the internal control system throughout the financial year and is of the opinion that it is at an acceptable level

Ethical behaviour

The Group's Code of Conduct governs all its activities, internal relations and interactions with stakeholders in accordance with its ethical values. All staff are expected to maintain the highest level of integrity and honesty in dealing with customers, suppliers, service providers and colleagues.

Compliance with the Code of Conduct is the ultimate responsibility of the Managing Director and the Company Secretary, with day-to-day monitoring delegated to line management.

The code is supplemented by the Group's responsibility philosophy as well as its employment practices and its occupational health and safety controls.

Business ethics and organisational integrity

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

Principal risks and uncertainties

The principal risks that may significantly affect the Group's strategies and development are mainly operational, fraud and financial risks as described below:

Fraud risk

The Group could incur losses resulting from fraudulent transactions, but controls are in place designed to mitigate this risk.

Operational risk

This is a risk resulting from the Group's activities not being conducted in accordance with formally recognised procedures.

Management ensures that the Group complies with internal policies and procedures.

Financial risk

The Group'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 combinations of risks. More detail on the financial risks facing the Group and Company are provided in Note 35 to the consolidated and separate financial statements.

Financial reporting and auditing

The directors accept final responsibility for the preparation of the consolidated and separate financial statements which fairly represent:

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

The responsibility for compiling the consolidated and separate financial statements was delegated to senior management.

The external auditor has examined and reported on whether the consolidated and separate financial statements are fairly presented.

The directors are satisfied that during the year under review

- Adequate accounting records were maintained;
- An effective system of internal control and risk management was maintained and monitored by management;
- Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, were used consistently; and
- The consolidated and separate financial statements were compiled in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Tanzanian Companies Act, 2002.

The directors are also satisfied that no events occurred subsequent to the year-end up to the date of this report which could have a material effect on the results of the Group or Company.

The directors are of the opinion that the Group and Company have sufficient resources and commitments at its disposal to operate the business for the foreseeable future. The consolidated and separate financial statements have been prepared on a going concern basis.

The Group is committed to the principles of Good Corporate Governance. The directors also recognise the importance of integrity, transparency and accountability. During the year, the Board of Tanga Cement Public Limited Company was supported by the following sub-committees to which it delegated some of its functions to ensure a high standard of corporate governance throughout the Group:

Audit, Risk and Compliance Committee

Name	Nationality	Qualification
1. Mr T. Wagner (Chairman)	South African	CA (SA), MBL (Unisa)
2. Mr K. Omar	Tanzanian	MSc. Development studies
3. Mr L. Serfontein	South African	B. Comm (Acc), CA (SA)
4. Mr L. Masha	Tanzanian	LLB (Hons), LLM

The Audit, Risk and Compliance Committee, which comprises non-executive directors, reports to the Board and met four times during the year.

Remuneration and Nomination Committee

Name	Nationality	Qualification
1. Dr S. Olivier (Chairman)	South African	Ph. D Biochemistry
2. Mr L. Masha	Tanzanian	LLB (Hons), LLM
3. Mr P. Rutabanzibwa	Tanzanian	B. Chemical Engineering
4. Mr R. Mbilinyi	Tanzanian	Bsc. Engineering, MBA Marketing

The Remuneration and Nomination Committee, which comprises of non-executive directors, reports to the Board and met four times during the year.

7. REMUNERATION POLICIES

The Group has formal processes and procedures in place for determining remuneration paid to its directors. Management periodically prepares a proposal for fees and other emoluments to be paid to directors after having conducted market survey and consulted with the parent company before forwarding the same to the Annual General Meeting (AGM) for final approval.

8. CAPITAL STRUCTURE

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

Authorised

63,671,045 Ordinary shares of TZS 20 each (2015: 63,671,045 Ordinary shares of TZS 20 each)..

Issued up and fully paid

63,671,045 Ordinary shares of TZS 20 each (2015: 63,671,045 Ordinary shares of TZS 20 each).

Details of the capital structure have been disclosed under Note 25 to the consolidated and separate financial statements.

9. MANAGEMENT

The management of the Company is led by the Managing Director and is organised in the following functions:

- Financial;
- Plant Management;
- Commercial, Sales and Marketing;
- Risk, Occupation Health, Safety and Environment;
- Human Resources and Administration; and
- Project Management

10. KEY MANAGEMENT PERSONNEL OF THE GROUP

The key management personnel who served during the year, and to date of this report, were:

Mr R. Swart	Managing Director
Mr P. De Jager	Chief Financial Officer
Mr B. Lema	Plant Manager
Mr L. Breedt	Risk, Occupational Health, Safety and Environment Manager
Mr P. Brits	Commercial Manager
Mrs D. Malambu	Human Resources Manager
Mr J. Myburgh	Project Manager

11. DIRECTORS' REMUNERATION

The remuneration for services rendered by the directors was as follows:

	Amount in Tzs
Chairman of the Board of Directors	41,107,000
Other directors	180,103,000

Executive directors' remuneration for the Group and the Company was TZS 1,500 million (2015: TZS 966 million).

12. SHAREHOLDERS OF THE COMPANY

The top ten shareholders at year-end were:

Shareholder	2016	2015
AfriSam (Mauritius) Investment Holdings Limited	68.3%	68.3%
SCBT Nominees SCB Consumer Banking Re Mr. Aunali F. Rajabali and Mr. Sajjad F. Rajabali	3.8%	3.4%
Public Service Pension Fund	2.4%	2.4%
National Social Security Fund	1.8%	1.8%
Parastatal Pension Fund	1.3%	1.3%
The Trustees of Tanga Cement Plc Employees' Share Trust	1.1%	0.8%
Social Action Trust Fund	0.7%	1.2%
BNYM SA NV AS Custodian or Trustee	0.5%	0.5%
SCBT Nominees RE : SSB+T AC RE CONRAD N HILTON Foundation	0.5%	0.5%
Government Employees Provident Fund	0.4%	0.4%

Member summary as at 31 December:

		2016		2015
	Number of Members	Number of Shares	Number of Members	Number of Shares
1-1,000	9,164	3,019,373	9,270	3,089,705
1,001 - 5,000	1,269	3,490,052	1,304	3,612,661
5,001-10,000	366	2,238,743	369	2,267,306
10,000 plus	131	11,418,474	129	12,296,970
AfriSam (Mauritius) Investment Holding Ltd	1	43,504,403	1	42,404,403
Total	10,931	63,671,045	11,073	63,671,045

The Managing Director, Mr R. Swart, acquired 7,000 ordinary shares in his personal capacity on the open market during the year, as approved by the Board on 13 May 2016. No other director held any ordinary shares in the Company.

13. STOCK EXCHANGE LISTING INFORMATION

On 26 September 2002, the Company listed its shares on the Dar es Salaam Stock Exchange (DSE) through an Initial Public Offering (IPO) at a price of TZS 360 per share. The Company's market capitalisation as at 31 December 2016 was TZS 101.9 billion (2015: TZS 170 billion). Total turnover of the Company's shares traded on the DSE for the year ended 31 December 2016 was TZS 1.2 billion (2015: TZS 18.8 billion). The average traded price of the Company's shares for the year was TZS 1,890 per share (2015: TZS 3,723) and the share price as at 31 December 2016 was TZS 1,600 per share.

14. PERFORMANCE FOR THE YEAR
Financial Performance

During 2016, the Group experienced a decline in sales revenue of 20.2% due to increased competition from new entrants to the market which put downward pressure on sales prices and volumes.

External factors such as increased electricity supply interruptions and frequent power dips from the national utility caused significant operational challenges like premature kiln refractory lining failures.

Distribution costs were lower due to lower third party transportation costs primarily driven by distribution cost reduction initiatives and lower sales volumes. Increased use of rail transportation further contributed to the cost reduction.

The above factors positively impacted on the cost of production of cement.

In the macroeconomic environment, the Group witnessed a slight devaluation of the Tanzanian shilling to the US Dollar of 1.1%.

Interest costs on loan funding for the capital expansion project mainly contributed to the increase in finance costs to TZS 11.71 billion for the current year from TZS 1.44 billion in 2015. The Group accounted for realised and unrealised losses on foreign exchange amounting to TZS 2.56 billion (2015: loss of TZS 9.97 billion).

The full year financial results are further detailed in the statement of profit or loss and other comprehensive income as well as the statement of cash flows in the consolidated and separate financial statements

Financial Position

Utilisation of cash to start paying interest on PIC loans as well as the receipt of input Value Added Tax (VAT) credit available from the purchases made by the Group during construction of the Kiln 2 production line during 2016 were the main contributing factors to the decrease in total assets by 4.2% from TZS 470 billion to TZS 450 billion. The Group continued to carry a financial asset for the interest rate cap hedging contract entered into with Standard Chartered Bank to mitigate against the volatility of the interest rate on the term loans (refer to Note 20 of the consolidated financial statements).

During the year, the principal amount of the Company's interest bearing term borrowings increased to TZS 199.6 billion (2015: TZS 197.4 billion) resulting from revaluation of the USD denominated PIC loan from the South Africa Government Employees Pension Fund (SA GEPPF) administered by the Public Investment Corporation of South Africa (PIC) as its agent.

Capital structure

The balance between capital and debt during the year under review was as follows:

	2016 TZS' 000'	Group 2015 TZS' 000'	2016 TZS' 000'	Company 2015 TZS' 000'
Total Capital				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	22 769	87 004	-	-
Treasury shares	(1 506 571)	(1 853 782)	-	-
Retained earnings	189 884 783	190 122 837	190 095 631	190 318 916
	189 674 402	189 629 480	191 369 052	191 592 337
Net Debt				
Bank overdraft	6,984,256	6,047,195	6,984,256	6,047,195
Interest-bearing loans and borrowings	202 370 567	204 792 600	202 370 567	204 792 600
Trade and other payables	34 507 286	54 258 327	31 791 719	52 857 246
Less: Cash and bank balances	(9 503 431)	(24 339 787)	(8 485 755)	(23 297 360)
	234 358 678	240 758 335	232 660 787	240 399 681

Further details on the Group's capital management are included in Note 34 of the consolidated and separate financial statements.

The above capital structure was the result of a careful review of the debt carrying capacity of the Group taking into account the addition of the Kiln 2 capital expansion project. The Board considered the applicable business and economic risks associated with the new capital structure and found it to be within the risk tolerance of the Group without diluting the majority shareholders of the Company.

Key Performance Indicators

Key performance indicators, both financial and non-financial, are used by the directors to assess the Group's performance against its objectives. These indicators include financial budgets, production volumes and efficiency targets, improved cost management, sustainable environmental performance, marketing innovation, human resources excellence and corporate social responsibility programmes.

15. TREASURY POLICIES AND OBJECTIVES

The major financing transactions undertaken up to the date of these financial statements are:

- Interest bearing term loans – to finance Kiln 2 construction
- Bank overdrafts – to finance working capital requirements

The effect of financing costs on the results for the year was a charge of TZS 14.2 billion (2015: TZS 11.1 billion). This is comprised of the net interest expense, interest income and foreign exchange gains/losses for the year as detailed in the consolidated and separate statements of profit or loss and other comprehensive income.

The Group's treasury and financial risk management policies and objectives including the potential impact of interest rate changes are detailed in Note 35 to the consolidated and separate financial statements

16. COMPLIANCE WITH BORROWING AGREEMENT COVENANTS

The Company signed a borrowing agreement with the Government Employees Pension Fund of South Africa for a term loan to finance the construction of Kiln 2 and the Company is required to comply with specified financial covenants as indicated in the table below:

Financial Covenant Ratio	As calculated at 31 Dec 2016	Covenant Level	Compliance (Yes/No)
Senior Debt Service Cover Ratio	2.6	>1.5	Yes
Total Debt Service Cover Ratio	2.6	>1.3	Yes
DEBT to EBITDA	5.4	<6.0	Yes

The DEBT to EBITDA covenant level was adjusted by the lender from <4.0 to <6.0 subsequent to year-end but effective from 31 December 2016. The Company was in compliance with the required covenant levels as at year-end.

17. RESULTS AND DIVIDENDS

The Group achieved a net profit for the year of TZS 4.262 billion (2015: TZS 8.242 billion). In line with its dividend policy, the Company declared an interim dividend totalling TZS 3.502 billion (2015: TZS 3.502 billion) being TZS 55 per share (2015: TZS 55 per share). The Board proposed a final dividend for 2016 totalling TZS 1.592 billion (2015: TZS 1.592 billion) being TZS 25 per share (2015: TZS 25 per share). The total dividend proposed for the year amounts to TZS 5.094 billion (TZS 80 per share) being the same as the total dividend of TZS 5.094 billion (TZS 80 per share) declared and approved for 2015.

18. FUTURE PROSPECTS

Although the East African market for cement products is expected to continue growing, new competitors entering the market coupled with the introduction of cheap imports are expected to continue putting pressure on sales prices and volumes in the near term.

The construction and commissioning of a second Kiln line at the factory in Tanga will give the Company sufficient capacity to produce all its own clinker requirements more cost effectively than using imported clinker. Accordingly, the Company will increase cement production at a lower cost in response to growing competition and demand. Any excess clinker produced can also be sold at competitive prices.

19. RESOURCES

Apart from those items that are reflected in the statement of financial position, the Group has key strengths and resources, both tangible and intangible, which can assist the business in pursuit of its objectives. These resources are high quality proven limestone reserves, renowned consistency of products, the strong brand of Simba Cement, competent management, committed and skilled personnel and a strong sales and distribution channel.

20. CASH FLOW PROJECTIONS

The Group's cash flow projections indicate that sufficient positive cash flows will be generated from the Group's operating activities and that the Group has sufficient access to working capital overdraft facilities with various banks. The cash flow projections take cognisance of capital expenditure commitments, and interest and principal repayments on the term loans.

The Group's liquidity position is further discussed in Note 35 of the consolidated and separate financial statements.

21. SOLVENCY

The Board confirms that applicable accounting standards have been followed and that the consolidated and separate financial statements have been prepared on a going concern basis. The directors have reviewed the Group's cash flow forecasts and, in the light of this review and the current financial position, they are satisfied that the Group has or has access to adequate resources to continue operating in the ordinary course of business for the foreseeable future.

22. ACCOUNTING POLICIES

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of

liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Group's accounting policies, which are laid out in Note 2 of the consolidated and separate financial statements are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

23. ACQUISITIONS AND DISPOSALS

No material acquisitions or disposals were made during the current or the previous financial year.

24. INVESTMENT IN SUBSIDIARY AND ASSOCIATE

Tanga Cement Public Limited Company owns 100% of the issued share capital of Cement Distributors (EA) Limited and 5% of the issued share capital of East African Rail Hauliers Limited (EARHL). The Company sold part (15%) of its investment in EARHL as at 31 December 2016.

Detailed information regarding the Company's interests in the above investments is included in Note 19 of the consolidated and separate financial statements.

25. INVESTMENT IN SUBSIDIARY

Management reviewed the performance, forecasts and valuation of the Company's financial investment in Cement Distributors (EA) Limited and found no indicators that the carrying amount of the investment in the subsidiary could be impaired as at year-end. As such, no impairment charge on the investment was recognised during the year (2015: TZS 2.98 billion).

26. EMPLOYEES' WELFARE

Management and Employees' Relationship

A healthy relationship continues to exist between management and A healthy relationship continues to exist between management and employees. A voluntary agreement between the Company and the Trade Union was signed in 2014 following the expiration of the previous one in 2013. There were no major unresolved complaints received by management from the employees during the year.

The Group is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position, free from discrimination of any kind and without regard to gender, marital status, tribe, religion or disability

Training Facilities

During the year, the Group spent a sum of TZS 331 million for staff training in order to improve employee technical skills and effectiveness (2015: TZS 388 million). Programs have been, and continue to be, developed to ensure that employees are adequately trained at all levels.

Medical Scheme

All employees and up to four dependants each are covered under the Group's Medical Scheme.

Health and Safety

The Group has a world class risk, health and safety department which ensures that a culture of safety prevails at all times. All

employees and contractors are provided with appropriate personal protective equipment, all of which meet the requirements of the Occupational Health and Safety Act 2003 and other legislation concerning industrial safety. The Company received a four star NOSA safety rating in 2015, being the first time it submitted itself to this prestigious and stringent safety system audit.

Financial Assistance to Staff

The Group provides education loans for approved study courses and also encourages staff to join the Tanga Cement Savings and Credit Co-operative Society (SACCOS).

Persons with Disabilities

It remains the Group's policy to accept disabled persons for employment for those vacancies that they are able to fill. Opportunities for advancement are provided to each disabled person when a suitable vacancy arises within the Group and all necessary assistance is given with initial training. Where an employee becomes disabled during the course of his or her employment, the Group will seek to provide suitable alternative employment and any necessary training.

Employee Benefit Plans

Some employees are members of the Parastatal Pension Fund (PPF) and others are members of National Social Security Fund (NSSF). The Group contributes 15% of basic salary of each employee to PPF and 10% of gross salary of each employee to NSSF on behalf of all permanent employees. All these plans are defined contribution plans.

The Group's employment terms are regularly reviewed to ensure that they continue to meet statutory requirements and prevailing market conditions. The Group communicates with its employees through regular management and staff meetings and through circulars. The Group has continued to maintain a favourable working environment in terms of factory, offices, canteen, medical facilities and transport.

Employees' Share Trust

No additional loan was advanced to the Tanga Cement Employee Share Trust (the 'Trust') during the year 2016. The Company performed an impairment assessment of the amounts due from the Trust and recognised an impairment charge of TZS 294 million as at year-end (2015: NIL).

27. GENDER PARITY

The Group is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which do not impair ability to discharge duties. The Company had 345 (2015: 328) employees, of which 34 were female and 311 were male (2015: 33 female and 295 male). The Group had 365 (2015: 352) employees, of which 35 were female and 330 were male (2015: 36 female and 316 male).

28. POLITICAL DONATIONS

The Group did not make donations to any political parties or causes during the year.

29. ENVIRONMENTAL CONTROL PROGRAMME

The Group has a formal environmental management programme, accredited with the ISO 14001 environmental quality management system in 2004.

30. QUALITY

The Group has a formal quality assurance management programme, accredited with the ISO 9001 quality assurance management system in 2008.

31. CORPORATE SOCIAL INVESTMENT

During the year, the Group continued to support the Tanzanian society through its corporate social investment programs. The areas that have been supported are community development, education, health and the environment. During the year, the Group contributed TZS 252 million (2015: TZS 104 million) towards various corporate social investment initiatives.

32. SECRETARY TO THE BOARD

The Secretary to the Board is responsible for advising the Board on legal and corporate governance matters and, in conjunction with the Chairman, for ensuring the efficient flow of information between the Board, its Committees and management. All members of the Board and management have access to his legal advice and services.

33. COMPLIANCE TO LAWS AND REGULATIONS

During the year ended 31 December 2016, there were no serious judicial matters to report as required by the Tanzania Financial Reporting Standard No. 1 (Directors' Report).

34. STATEMENT OF COMPLIANCE

The Directors' Report has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 (Directors' Report).

35. RELATED PARTY TRANSACTIONS

The related party transactions and balances are disclosed in Note 32 to the consolidated and separate financial statements. The directors' emoluments have also been disclosed in Note 32 to the consolidated and separate financial statements.

36. SERIOUS PREJUDICIAL MATTERS

In the opinion of the directors, there are no serious unfavourable legal matters that can affect the Group or Company.

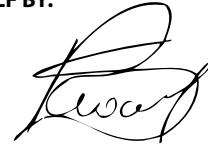
37. AUDITORS

The auditor, Ernst & Young, has expressed willingness to continue in office as auditor and is eligible for re-appointment. A resolution proposing the re-appointment of Ernst & Young as auditor of the Group for the 2017 financial year will be tabled for shareholders' approval at the next Annual General Meeting.

APPROVED BY THE BOARD OF DIRECTORS ON 06 MARCH 2015, AND SIGNED ON ITS BEHALF BY:



L Masha
Chairperson
24 April 2017



R Swart
Managing Director
24 April 2017

Statement of Directors' Responsibilities

For each financial year, the Tanzanian Companies Act, 2002, requires the directors to prepare consolidated and separate financial statements that present fairly the state of financial affairs of the Group and Company as at the end of the financial year and of the financial results for that year. It also requires the directors to ensure that the Group and the Company keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Group and Company. The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the consolidated and separate 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 (IFRS) and in the manner required by the Tanzanian Companies Act, 2002. The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

The directors are of the opinion that the consolidated and separate financial statements present fairly the state of the financial affairs of the Group and Company and of its profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated and separate financial statements, as well as adequate systems of internal financial control.

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

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



L Masha
Chairperson
24 April 2017



R Swart
Managing Director
24 April 2017

Declaration by the Head of Finance

“ I thus confirm that the consolidated and separate financial statements give a true and fair view position of Tanga Cement Public Limited Company as on that date and that they have been prepared based on properly maintained financial records. ”

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

It is the duty of a professional accountant to assist the Board of Directors to discharge the responsibility of preparing the financial statements of the Group and Company showing a true and fair view position of the Group and Company in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania. Full legal responsibility for the financial statements rests with the Board of Directors as indicated in the Statement of Directors' Responsibilities on the previous page.

I Pieter De Jager being the Chief Financial Officer of Tanga Cement Public Limited Company hereby acknowledge my responsibility of ensuring that the consolidated and separate financial statements for the year ended 31 December 2016 have been prepared in compliance with International Financial Reporting Standards and the Companies Act, 2002 of Tanzania.

I thus confirm that the consolidated and separate financial statements give a true and fair view position of Tanga Cement Public Limited Company as on that date and that they have been prepared based on properly maintained financial records.



Pieter De Jager

Chief Financial Officer

NBAA Membership No. 2830

Date: 24 April 2017

Independent Auditor's Report

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of Tanga Cement Public Limited Company (the Company) and its subsidiaries (together, the Group) set out on pages 27 to 53, which comprise the consolidated and separate statements of financial position as at 31 December 2016, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Company as at 31 December 2016, and of the consolidated and separate financial performance and the consolidated and separate cash flows of the Group and the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act, 2002 of Tanzania.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provided the basis for our audit opinion on the accompanying consolidated and separate financial statements.

Independent Auditor's Report - *Cont*

No.	Key audit matter	How our audit addressed the key audit matter
1.	Compliance with debt covenants	
	The Company is required to comply with the covenants in the loan agreement between the Company and Government Employees Pension Fund (GEPF) (the lender). We considered this to be a key audit matter since breach of the covenants could have a significant effect on the results and financial position of the Group and Company. The GEPF debt agreement stipulates certain limitations on the Company when there is breach of the covenants. These limitations include not paying dividends without prior consent of the lender. As disclosed in Note 34 to the financial statements, the Debt to Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) covenant level was adjusted by the lender from <4.0 to <6.0 subsequent to year-end but effective from 31 December 2016. The Company was in compliance with the required covenant levels as at year-end and expects to continue to be compliant with these covenants for the remaining period of the credit facility. We also considered there to be a risk that the debt amount and EBITDA used in the calculation of the Debt to EBITDA covenant are inappropriately calculated to achieve desired result.	We reviewed the Company's debt covenant calculation, evaluated compliance with the applicable debt covenants as of 31 December 2016 and considered the Company's assessment of continued covenant compliance. We compared the disclosures in the financial statements regarding the adjustment of the Debt to EBITDA covenant to the waiver received from the lender. Given the relevance of the EBITDA amount in the Debt to EBITDA covenant calculations, we analysed the correct classification of items in EBITDA in accordance with criteria as stated in the debt agreement. We also assessed whether the debt amount was calculated in line with the debt agreement. In addition, we assessed the adequacy of the Group's disclosures regarding the covenants and debt agreement, which are included in Notes 27 and 34 of the consolidated and separate financial statements.
2.	Capital expenditure – Accounting for the new second production line	
	The Group had a substantial capital programme and incurred significant expenditure in relation to the development and construction of a second clinker production line (Kiln 2). The costs capitalised include borrowing costs and an allocation of overhead costs relating to the proportion of time spent by support function staff. The determination of costs to be capitalised is inherently judgemental and could lead to over capitalisation of expenses. As disclosed in Note 16 to the consolidated and separate financial statements, capitalised borrowing costs during the year totalled TZS 1.2 billion. The Group capitalised and started depreciating TZS 300.9 billion relating to the expenditure on Kiln 2 from February 2016 as disclosed in note 16 to the consolidated and separate financial statements.	Our audit procedures included assessing the Group's capitalisation policy for compliance with IFRS. We tested the elements of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and assessing the costs capitalised for a sample of transactions against the capitalisation policy. In relation to borrowing costs, we obtained the supporting calculations, verified the inputs to the calculation, tested the correctness of the calculations and reviewed the calculations to determine that the borrowing costs for completed components were not capitalised. We assessed whether the depreciation charged on the capitalised costs was determined in accordance with the Group's depreciation policy. We assessed the adequacy of the Group's disclosures on its capitalisation policy and the amounts capitalised.

No.	Key audit matter	How our audit addressed the key audit matter
	We focused on this because there is a risk that costs which do not meet the criteria for capitalisation in accordance with IAS 16 Property, Plant and Equipment and IAS 23 Borrowing Costs, are inappropriately recorded under property, plant and equipment in the statement of financial position rather than being expensed or that costs continue to be held as capital work-in-progress under property, plant and equipment in the statement of financial position despite not meeting the relevant capitalisation criteria or that capitalised costs are not depreciated in accordance with the Group's depreciation policy. The Group's policies on the capitalisation and depreciation of assets are included in Notes 2.3(g) and 2.3(i) to the consolidated and separate financial statements.	
3.	Accounting for tax positions	We focused on compliance with tax laws and regulations because breaches of these laws could have a significant effect on the results and financial position of the Group and Company. Our focus areas included compliance with changes in tax laws that became effective during the year and the financial reporting implication of open tax assessments. Assessing the likely outcome and quantification of open tax assessment exposures was one of the judgemental areas our audit was focused on. We also considered there to be a risk that the income tax disclosures in Note 14 and the tax contingencies disclosures in Note 36 which are significant to the understanding of the Group's income tax position and are not complete. We involved our tax specialists where appropriate to analyse and assess the assumptions used to determine provisions for tax matters based on their knowledge and experience of local regulations and practices. We inspected reports on open tax assessments done by the Group's tax consultants and appropriate documentation considered necessary to understand the position and conclusions made by the Group. We also obtained external confirmations from legal counsel on significant litigation. We considered the exposure to breaches of legislation by making appropriate enquiry of the Group's management in relation to compliance with tax laws and regulations and the existence and status of any significant tax matters. We inspected correspondence with tax authorities and tax authority audit reports to identify actual and potential noncompliance with tax laws and regulations that could materially affect the Group's and Company's financial statements. Where significant matters were identified, we considered whether an obligation exists, the appropriateness of provisioning and/or disclosure based on the facts and circumstances available. Using our experience of local practices we assessed the judgements made by the Group in arriving at any potential provisions and contingencies relating to compliance with tax laws and regulations. Furthermore, we assessed the adequacy of the Group's disclosures in respect of income tax and tax contingencies.

Chairperson's Statement

Other Information included in the Group's 2016 Annual Director's Report

Other information consists of the information included in the Group Information, Directors' Report, Statement of Directors' Responsibilities and the Declaration by the Head of Finance, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

When we read the contents of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and / or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and 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 Group's and 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 consolidated and separate 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 Group and / or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely 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.

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Group and Company, so far as appears from our examination of those books;
- The Directors' Report is consistent with the consolidated and separate financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Group and Company is disclosed; and
- The Group and the Company's consolidated and separate statements of financial position and consolidated and separate statements of profit or loss and other comprehensive income are in agreement with the books of account.

Ernst & Young

Certified Public Accountants
Dar es Salaam

Signed by:
Julius Rwajekare (Partner)
24 April 2017

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2016

	Notes	Group		Company	
		2016	2015	2016	2015
		TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Revenue	5	166,975,482	209,116,045	153,775,982	194,349,261
Cost of sales	6	(112,553,046)	(162,031,875)	(101,865,441)	(150,081,111)
Gross profit		54,422,436	47,084,170	51,910,541	44,268,150
Other income	7	2,066,529	236,609	2,062,325	199,266
Selling expenses	8	(3,733,943)	(3,175,626)	(4,033,943)	(4,112,706)
Administration expenses	9	(14,821,460)	(14,717,352)	(12,375,690)	(11,585,097)
Depreciation and amortisation	10	(17,801,172)	(5,978,004)	(17,694,713)	(5,797,879)
Impairment charge	10	(293,771)	(3,549,424)	(293,771)	(3,105,726)
Operating profit		19,838,619	19,900,373	19,574,749	19,866,008
Interest expense	11	(11,706,318)	(1,441,548)	(11,706,318)	(1,441,548)
Finance income	12	83,059	320,327	83,059	320,327
Share of loss of an associate	19(b)	-	(128,288)	-	-
Foreign exchange loss	13	(2,562,454)	(9,972,096)	(2,327,565)	(9,870,737)
Profit before tax		5,652,906	8,678,768	5,623,925	8,874,050
Income tax expense	14(a)	(1,391,422)	(437,085)	(1,347,672)	(340,889)
Profit for the year		4,261,484	8,241,683	4,276,253	8,533,161
Other comprehensive income					
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Exchange differences on translation of foreign operations		(64,235)	87,004	-	-
Other comprehensive income net of tax		(64,235)	87,004	-	-
Total comprehensive income for the year, net of tax		4,197,249	8,328,687	4,276,253	8,533,161
Profit for the period attributable to:					
Owners of the parent		4,261,484	8,241,683	4,276,253	8,533,161
Non-controlling interests		-	-	-	-
		4,261,484	8,241,683	4,276,253	8,533,161
Total comprehensive income attributable to:					
Owners of the parent		4,197,249	8,328,687	4,276,253	8,533,161
Non-controlling interests		-	-	-	-
		4,197,249	8,328,687	4,276,253	8,533,161
		2016	2015	2016	2015
		TZS/share	TZS/share	TZS/share	TZS/share
Basic earnings per share	14(a)	68	131	68	135
Diluted earnings per share	14(b)	68	131	68	135

Waraka wa Mapato unaotambulika

kwa mwaka ulioishia tarehe 31 Desemba 2016

	Maelezo	Kundi		Kampuni	
		2016	2015	2016	2015
		TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Mapato	5	166,975,482	209,116,045	153,775,982	194,349,261
Gharama za mauzo	6	(112,553,046)	(162,031,875)	(101,865,441)	(150,081,111)
Faida Ghafi		54,422,436	47,084,170	51,910,541	44,268,150
Gharama nyingine za uendeshaji	7	2,066,529	236,609	2,062,325	199,266
Gharama za uuzaji	8	(3,733,943)	(3,175,626)	(4,033,943)	(4,112,706)
Gharama za utawala	9	(14,821,460)	(14,717,352)	(12,375,690)	(11,585,097)
Uchakavu	10	(17,801,172)	(5,978,004)	(17,694,713)	(5,797,879)
Mali zilizoharibika	10	(293,771)	(3,549,424)	(293,771)	(3,105,726)
Faida ya Uendeshaji		19,838,619	19,900,373	19,574,749	19,866,008
Gharama za riba	11	(11,706,318)	(1,441,548)	(11,706,318)	(1,441,548)
Mapato ya Fedha	12	83,059	320,327	83,059	320,327
Sehemu ya hasara ya mashirika	19(b)	-	(128,288)	-	-
Hasara/ Faida iliyotokana na ubadilishaji fedha	13	(2,562,454)	(9,972,096)	(2,327,565)	(9,870,737)
Faida kabla ya Kodi		5,652,906	8,678,768	5,623,925	8,874,050
Kodi ya Mapato	14(a)	(1,391,422)	(437,085)	(1,347,672)	(340,889)
Faida kwa Mwaka		4,261,484	8,241,683	4,276,253	8,533,161
Pato kuu jingine					
Mapato mengine yanayotambulika kuainishwa tena kwenye faida au hasara katika kipindi kitakacho fuata (Kodi halisi)					
Tofauti katika ubadilishaji fedha za kigeni		(64,235)	87,004	-	-
Mapato Mengine yanayotambulika ya kodi halisi		(64,235)	87,004	-	-
Jumla ya Mapato yanayotambulika ya mwaka		4,197,249	8,328,687	4,276,253	8,533,161
Faida kwa kipindi kilichoidhinishwa kwa:					
Wamiliki wa Kampuni mama		4,261,484	8,241,683	4,276,253	8,533,161
Wamiliki wasio na udhibiti		-	-	-	-
		4,261,484	8,241,683	4,276,253	8,533,161
Jumla ya Mapato yaliyoidhinishwa kwa:					
Wamiliki wa Kampuni mama		4,197,249	8,328,687	4,276,253	8,533,161
Wamiliki wasio na udhibiti		-	-	-	-
		4,197,249	8,328,687	4,276,253	8,533,161
		2016	2015	2016	2015
		TZS/mapato	TZS/mapato	TZS/mapato	TZS/mapato
Mapato ya msingi kwa hisa (Tzs)	14(a)	68	131	68	135
Mapato ya msingi kwa hisa (Tzs)	14(b)	68	131	68	135

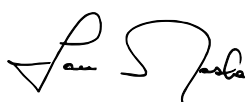
Consolidated Statement Of Financial Position

As at 31 December 2016

		Group		Company	
	Notes	2016	2015	2016	2015
		TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
ASSETS					
Non-current assets					
Property, plant and equipment	16	373,366,218	373,177,406	371,599,649	371,307,653
Investment in subsidiary	19(a)	-	-	1,746,976	1,746,976
Investment	19(b)	100	271,712	100	271,712
Financial asset - Interest rate cap	20	7,152,393	7,629,752	7,152,393	7,629,752
		380,518,711	381,078,870	380,499,118	380,956,093
Current assets					
Due from employees' share trust	18	-	-	1,506,571	1,853,782
Inventories	21	32,673,142	38,123,889	32,018,334	37,224,402
Trade and other receivables	22	15,568,106	7,776,853	15,185,452	8,758,254
VAT recoverable	23	9,494,637	17,019,367	9,469,854	16,983,726
Current income tax recoverable	14(d)	2,557,299	1,773,964	2,129,325	1,600,889
Cash and bank balances	24	9,503,431	24,339,787	8,485,755	23,297,360
		69,796,615	89,033,860	68,795,291	89,718,413
TOTAL ASSETS		450,315,326	470,112,730	449,294,409	470,674,506
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	25	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve		22,769	87,004	-	-
Treasury shares	18	(1,506,571)	(1,853,782)	-	-
Retained earnings		189,884,783	190,122,837	190,095,631	190,318,916
Equity attributable to owners of the parent		189,674,402	189,629,480	191,369,052	191,592,337
Non-controlling interest		-	-	-	-
Total equity		189,674,402	189,629,480	191,369,052	191,592,337
Non-current liabilities					
Provision for site restoration	26	21,364	145,602	21,364	145,602
Deferred tax liability	14(b)	16,757,451	15,239,526	16,757,451	15,239,526
Term borrowings: Non-current portion	27(a)	189,212,984	197,362,531	189,212,984	197,362,531
		205,991,799	212,747,659	205,991,799	212,747,659
Current liabilities					
Term borrowings: Current portion	27(a)	13,157,583	7,430,069	13,157,583	7,430,069
Trade and other payables	28	34,507,286	54,258,327	31,791,719	52,857,246
Bank overdrafts	27(b)	6,984,256	6,047,195	6,984,256	6,047,195
		54,649,125	67,735,591	51,933,558	66,334,510
TOTAL LIABILITIES		260,640,924	280,483,250	257,925,357	279,082,169
TOTAL EQUITY AND LIABILITIES		450,315,326	470,112,730	449,294,409	470,674,506

These consolidated and separate financial statements were approved by the Board of Directors for issue on 24 April 2017 and were signed on their behalf by:

Lawrence Masha
Chairman



Reinhardt Swart
Managing Director



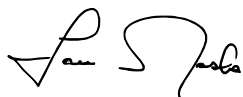
Waraka wa Hali ya Kifedha

Kama ilivyokuwa tarehe 31 Desemba 2016

Maelezo		Kundi		Kampuni	
		2016	2015	2016	2015
		TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
RASILIMALI					
Rasilimali kudumu					
Mali, mitambo na vifaa	16	373,366,218	373,177,406	371,599,649	371,307,653
Uwekezaji tanzu	19(a)	-	-	1,746,976	1,746,976
Uwekezaji	19(b)	100	271,712	100	271,712
Mali za kifedha - Kiwango cha riba	20	7,152,393	7,629,752	7,152,393	7,629,752
		380,518,711	381,078,870	380,499,118	380,956,093
Rasilimali za Muda					
Stahili kutoka mfuko wa hisa wa wafanyakazi	18	-	-	1,506,571	1,853,782
Bidhaa	21	32,673,142	38,123,889	32,018,334	37,224,402
Wadaiwa wa kibiashara na wengine	22	15,568,106	7,776,853	15,185,452	8,758,254
Kodi inayorejesheka	23	9,494,637	17,019,367	9,469,854	16,983,726
kodi ya mapato ya kampuni itakayorudishwa	14(d)	2,557,299	1,773,964	2,129,325	1,600,889
Baki ya taslimu na benki	24	9,503,431	24,339,787	8,485,755	23,297,360
		69,796,615	89,033,860	68,795,291	89,718,413
JUMLA YA RASILIMALI		450,315,326	470,112,730	449,294,409	470,674,506
HISA NA DHIMA					
Mtaji wa Akiba					
Mtaji wa hisa ulitolewa	25	1,273,421	1,273,421	1,273,421	1,273,421
Tafsiri ya akiba		22,769	87,004	-	-
Hisa za hazina	18	(1,506,571)	(1,853,782)	-	-
Mapato yaliyobakishwa		189,884,783	190,122,837	190,095,631	190,318,916
Hisa zilizoidhinishwa kwa wamiliki wa Kampuni mama		189,674,402	189,629,480	191,369,052	191,592,337
Wamiliki wasio na udhibiti		-	-	-	-
Jumla		189,674,402	189,629,480	191,369,052	191,592,337
Dhima za kudumu					
Tengo kwa ajili ya uboreshaji wa eneo la machimbo	26	21,364	145,602	21,364	145,602
Tengo la kodi iliohirishwa	14(b)	16,757,451	15,239,526	16,757,451	15,239,526
Mkopo wa muda mrefu	27(a)	189,212,984	197,362,531	189,212,984	197,362,531
		205,991,799	212,747,659	205,991,799	212,747,659
Dhima za muda					
Mikopo wa muda mfupi	27(a)	13,157,583	7,430,069	13,157,583	7,430,069
Madeni ya kibiashara na mengineyo	28	34,507,286	54,258,327	31,791,719	52,857,246
Mikopo yenye riba	27(b)	6,984,256	6,047,195	6,984,256	6,047,195
		54,649,125	67,735,591	51,933,558	66,334,510
JUMLA YA DHIMA		260,640,924	280,483,250	257,925,357	279,082,169
JUMLA YA HISA NA DHIMA		450,315,326	470,112,730	449,294,409	470,674,506

Taarifa hizi kamili za fedha ziliidhinishwa na Bodi ya Wakurugenzi tarehe 24 Aprili 2017 na zilitiwa saini kwa niaba yao na:

Lawrence Masha
Mwenyekiti



Reinhardt Swart
Mkurugenzi Mtendaji



Consolidated Statement Of Changes in Equity

for the year ended 31 December 2016

	Notes	Issued Capital TZS' 000'	Translation reserve TZS' 000'	Treasury Shares TZS' 000'	Retained Earnings TZS' 000'	Total TZS' 000'
		(Note 25)	(Note 2.3d)(ii)	(Note 18)		
COMPANY						
At 1 January 2015		1,273,421	-	-	189,426,280	190,699,701
Profit for the year		-	-	-	8,533,161	8,533,161
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	8,533,161	8,533,161
Dividends approved	30	-	-	-	(7,640,525)	(7,640,525)
At 31 December 2015		1,273,421	-	-	190,318,916	191,592,338
At 1 January 2016		1,273,421	-	-	190,318,916	191,592,338
Profit for the year		-	-	-	4,276,253	4,276,253
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	4,276,253	4,276,253
Rescinded unclaimed dividend for 2009		-	-	-	594,145	594,145
Dividends approved	30	-	-	-	(5,093,683)	(5,093,683)
At 31 December 2016		1,273,421	-	-	190,095,631	191,369,053
GROUP						
At 1 January 2015		1,273,421	-	(1,853,782)	189,521,679	188,941,318
Profit for the year		-	-	-	8,241,683	8,241,683
Other comprehensive income		-	87,004	-	-	87,004
Total comprehensive income		-	87,004	-	8,241,683	8,328,687
Dividends approved	30	-	-	-	(7,640,525)	(7,640,525)
At 31 December 2015		1,273,421	87,004	(1,853,782)	190,122,837	189,629,480
At 1 January 2016		1,273,421	87,004	(1,853,782)	190,122,837	189,629,480
Profit for the year		-	-	-	4,261,484	4,261,484
Other comprehensive income		-	(64,235)	-	-	(64,235)
Total comprehensive income		-	(64,235)	-	4,261,484	4,197,249
Rescinded unclaimed dividend for 2009		-	-	-	594,145	594,145
Changes in treasury shares	18	-	-	347,211	-	347,211
Dividends approved	30	-	-	-	(5,093,683)	(5,093,683)
At 31 December 2016		1,273,421	22,769	(1,506,571)	189,884,783	189,674,402

Waraka wa Mabadiliko ya Hisa/Mtaji

kwa mwaka ulioishia tarehe 31 Desemba 2016

	Maelezo	Mtaji wa hisa uliotolewa TZS' 000' (Maelezo 25)	Mapato yalihofadhiwa TZS' 000' (Maelezo 2.3d)(ii))	Treasury Shares TZS' 000' (Maelezo 18)	Retained Earnings TZS' 000'	Total TZS' 000'
Kampuni						
Tarehe 1 Januari 2015		1,273,421	-	-	189,426,280	190,699,701
Faida kwa Mwaka		-	-	-	8,533,161	8,533,161
Mapato Mengineyo		-	-	-	-	-
Jumla		-	-	-	8,533,161	8,533,161
Gawio iliyoidhinishwa	30	-	-	-	(7,640,525)	(7,640,525)
Tarehe 31 Desemba 2015		1,273,421	-	-	190,318,916	191,592,338
Tarehe 1 Januari 2016		1,273,421	-	-	190,318,916	191,592,338
Faida kwa mwaka 2016		-	-	-	4,276,253	4,276,253
Mapato Mengineyo		-	-	-	-	-
Jumla		-	-	-	4,276,253	4,276,253
Rescinded unclaimed dividend for 2009		-	-	-	594,145	594,145
Gawio iliyoidhinishwa	30	-	-	-	(5,093,683)	(5,093,683)
Tarehe 31 Desemba 2016		1,273,421	-	-	190,095,631	191,369,053
KUNDI						
Tarehe 1 Januari 2015		1,273,421	-	(1,853,782)	189,521,679	188,941,318
Faida kwa mwaka 2016		-	-	-	8,241,683	8,241,683
Mapato Mengineyo		-	87,004	-	-	87,004
Jumla		-	87,004	-	8,241,683	8,328,687
Gawio iliyoidhinishwa	30	-	-	-	(7,640,525)	(7,640,525)
Tarehe 31 Desemba 2015		1,273,421	87,004	(1,853,782)	190,122,837	189,629,480
Tarehe 1 Januari 2016		1,273,421	87,004	(1,853,782)	190,122,837	189,629,480
Faida kwa mwaka 2016		-	-	-	4,261,484	4,261,484
Mapato Mengineyo		-	(64,235)	-	-	(64,235)
Jumla		-	(64,235)	-	4,261,484	4,197,249
Gawio lililorudishwa ambalo halikuchukuliwa		-	-	-	594,145	594,145
Hisa za hazina	18	-	-	347,211	-	347,211
Gawio iliyoidhinishwa	30	-	-	-	(5,093,683)	(5,093,683)
Tarehe 31 Desemba 2016		1,273,421	22,769	(1,506,571)	189,884,783	189,674,402

Consolidated Statement Of Cash Flow

for the year ended 31 December 2016

		Group		Company	
	Notes	2016	2015	2016	2015
		TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
OPERATING ACTIVITIES					
Cash generated from operating activities	29	21,220,846	29,431,200	20,648,144	29,119,528
Interest income received	12	83,059	320,327	83,059	320,327
Interest expense paid		(17,522,122)	(1,441,548)	(17,522,122)	(1,441,548)
Income taxes paid	14(d)	(656,832)	(9,232,983)	(358,183)	(9,070,233)
Net cash flows from operating activities		3,124,951	19,076,996	2,850,898	18,928,074
INVESTING ACTIVITIES					
Proceeds from sale of property, plant and equipment		2,003,503	31,916	1,999,320	4,236
Purchase of property, plant and equipment (additions less capitalised borrowing costs)		(17,288,687)	(127,361,220)	(17,284,923)	(127,346,515)
Net cash flows used in investing activities		(15,285,184)	(127,329,304)	(15,285,603)	(127,342,279)
FINANCING ACTIVITIES					
Proceeds from borrowings	27(a)	-	116,742,350	-	116,742,350
Dividends paid to equity holders of the parent		(4,992,277)	(7,640,525)	(4,992,277)	(7,640,525)
Net cash flows (used in)/received from financing activities		(4,992,277)	109,101,825	(4,992,277)	109,101,825
Net (decrease)/increase in cash and cash equivalents		(17,152,510)	849,517	(17,426,982)	687,620
Net foreign exchange differences		1,379,093	6,643,079	1,678,316	6,647,654
Cash and cash equivalents at 1 January		18,292,592	10,799,996	17,250,165	9,914,891
Cash and cash equivalents at 31 December	24	2,519,175	18,292,592	1,501,499	17,250,165

Waraka wa Mtiririko wa Fedha

kwa mwaka ulioishia tarehe 31 Desemba 2016

Maelezo		Kundi		Kampuni	
		2016	2015	2016	2015
		TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
SHUGHULI ZA UENDESHAJI					
Taslimu kutoka shughuli za biashara	29	21,220,846	29,431,200	20,648,144	29,119,528
Mapato ya Fedha	12	83,059	320,327	83,059	320,327
Gharama za Fedha		(17,522,122)	(1,441,548)	(17,522,122)	(1,441,548)
Kodi ya mapato iliyolipwa	14(d)	(656,832)	(9,232,983)	(358,183)	(9,070,233)
Mapato halisi kutoka shughuli za biashara		3,124,951	19,076,996	2,850,898	18,928,074
SHUGHULI ZA UWEKEZAJI					
Mapato yaliyopatikana kwa uuzaji wa mali, mitambo na zana		2,003,503	31,916	1,999,320	4,236
Ununuzi wa mitambo ya kawaida, mali na mitambo (imejumlishwa na kutoa gharama za mikopo ya mtaji)		(17,288,687)	(127,361,220)	(17,284,923)	(127,346,515)
Mapato halisi yaliyotumika katika uwekezaji		(15,285,184)	(127,329,304)	(15,285,603)	(127,342,279)
SHUGHULI ZA KUGHARIMIA					
Mapato yaliyopatikana na mikopo	27(a)	-	116,742,350	-	116,742,350
Magawio yaliyolipwa kwa wenye hisa wa kampuni mama		(4,992,277)	(7,640,525)	(4,992,277)	(7,640,525)
Fedha taslimu iliyotumiwa katika shughuli za ugharamiaji		(4,992,277)	109,101,825	(4,992,277)	109,101,825
Mapato halisi yaliyotumiwa katika shughuli za kugharimia		(17,152,510)	849,517	(17,426,982)	687,620
Tofauti Halisi ya Mabadiliko ya Fedha za kigeni		1,379,093	6,643,079	1,678,316	6,647,654
Fedha taslimu na Fedha linganifu mwanzo wa mwaka		18,292,592	10,799,996	17,250,165	9,914,891
Fedha taslimu na Fedha linganifu mwisho wa mwaka	24	2,519,175	18,292,592	1,501,499	17,250,165

Notes to the consolidated Financial Statements

1. CORPORATE INFORMATION

The consolidated and separate financial statements of the Group for the year ended 31 December 2016 were approved for issue in accordance with a resolution of the Board of Directors on 16 March 2017. Tanga Cement Public Limited Company, the reporting entity, is incorporated in Tanzania under the Companies Act 2002 as a limited liability company and is domiciled in Tanga, Tanzania. The name of the reporting entity was changed from Tanga Cement Company Limited to Tanga Cement Public Limited Company as per the Company Registrar's instructions on the 25th day of June 2014. The Company's shares are publicly traded on the Dar es Salaam Stock Exchange.

The principal activities of the Group are disclosed in the Directors' Report. Information about the Group is disclosed on page 1.

The Company has one fully owned subsidiary, Cement Distributors (EA) Limited (CDEAL) that is incorporated and domiciled in Tanzania. CDEAL is incorporated in Tanzania and fully owns and controls Cement Distributors (EA) Ltd – Rwanda and Cement Distributors (EA) Ltd – Burundi. The Company also owned and controlled 20% of the shares in East African Railway Hauliers Limited (EARHL) which was accounted for as an associate. 15% of the investment in EARHL was disposed as of 31 December 2016 and the retained 5% investment in EARHL is accounted for as an investment at cost.

From a Group perspective, the Employee Share Trust is a consolidated structured entity since the Trust was specifically set up in order to facilitate the delivery of shares to the Company's employees.

Information on the ultimate parent of the Company is presented in Note 38 to the consolidated and separate financial statements.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated and separate financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are recognized at fair value.

The consolidated and separate financial statements are prepared in Tanzanian Shillings with all values rounded to the nearest thousand (TZS'000), except when otherwise indicated. These consolidated and separate financial statements cover the year ended 31 December 2016.

“The consolidated financial statements have been prepared on a historical cost basis. No other adjustments have been made for inflationary factors affecting the statements.”

2.2 STATEMENT OF COMPLIANCE AND BASIS OF CONSOLIDATION

The consolidated and separate financial statements of Tanga Cement Public Limited Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB) and the requirements of the Tanzanian Companies Act, 2002.

The financial statements comprise the financial statements of the Group and its subsidiary and consolidated structured entity as at 31 December 2016. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtained control (Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee), and continues to be consolidated until the date when

such control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

All intra-group balances, transactions, and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The investment in the subsidiary is measured at cost in the Company's separate financial statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;

- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; or
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the

financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss and other comprehensive income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The share of profit of an associate is shown on the face of the consolidated statement of profit or loss and other comprehensive income. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The investment in associate is measured at cost at the Company's financial statements.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in the 'share of profit of an associate' in the statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

c) Current versus non-current classification

The Group presents assets and liabilities in the consolidated and separate statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

d) Foreign currency translation

The Group and Company's financial statements and Company's separate financial statements are presented in Tanzanian Shillings (TZS), which is also the Group and Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated and separate financial statements of each entity are measured using that functional currency.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

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

ii) Group companies

The assets and liabilities of foreign operations are translated into Tanzanian Shilling (TZS) at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income balances are translated at exchange rates prevailing at the dates of the transaction or the average rates for the period. The exchange differences arising on the translation are recognised under a translation reserve in equity through other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates and Value Added Tax.

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

Sale of goods

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

Technical fees

Revenue is recognised when the Group's right to receive payment is established.

Interest income

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

Transportation services

Revenue is recognised when the Group has provided the services and the right to receive payment is established.

f) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of

an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in profit or loss.

Value Added Tax

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

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

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

g) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects

if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Asset	Rate
• Leasehold land	1.00% – 10.00%
• Buildings, roads and railway siding	2.86% – 10.00%
• Plant, machinery and equipment	3.33% – 10.00%
• Motor vehicles	3.33% – 20.00%
• Fixtures, fittings and equipment	3.33% – 33.33%

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

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively, if appropriate, at each financial year end.

Construction in progress includes accumulated cost of property, plant and equipment which is under construction, or for which cost has been incurred, but which is not yet ready for use by the Group. It also includes cost incurred for assets being constructed by third parties, assets which have not been delivered to, or installed in, the facility and assets which cannot be used until certain other assets are acquired and installed.

Where there is a significant interval between the times at which cost is incurred in connection with the acquisition of an asset and when the asset will be ready for use, the cost is accumulated in capital work in progress. At the time the asset is ready for use, the accumulated cost is to be transferred to the appropriate category and depreciation starts.

Construction in progress is not depreciated, since by the definition it is not yet ready for use.

h) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Operating lease payments are recognised as an operating expense in the profit or loss on a straight line basis over the lease term.

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

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

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale, are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs may include:

- Interest expense calculated using the effective interest method as described in IAS 39 Financial Instruments: *Recognition and Measurement*;
- Finance charges in respect of finance leases recognised in accordance with IAS 17 *Leases*; and
- Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

The Group capitalises borrowing costs for all eligible assets where construction was commenced on or after 1 January 2009

j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life, or the expected pattern

of consumption of future economic benefits embodied in an asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An item of intangible asset is derecognised when an item is disposed or when no future economic benefit is expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

k) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits (included under cash and cash equivalents), trade and other receivables, interest rate cap derivative and amount due from employees' share trust.

Subsequent measurement

Cash and short-term deposits, loan and receivables loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in profit or loss.

Derecognition

A financial asset, or where applicable a part of a financial asset or part

of a Group of similar financial assets is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset, or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference

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

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

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

Derivative financial instruments

The Company uses derivative financial instruments, such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The premium paid is recognized at the fair value and any changes are capitalized as borrowing costs under the related Property, Plant and Equipment item.

Note 20 to the consolidated and separate financial statements provides a detailed breakdown of the interest rate cap disclosure.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings.

Subsequent measurement

After initial recognition, trade and other payables, bank overdrafts, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains

and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Offsetting of financial instruments

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

i) Inventories

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

Raw materials:

Purchase cost on a first in, first out basis.

Finished goods and work in progress:

Cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

m) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, or exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

n) Royalties

Royalties payable to the representatives of the Ministry of Energy and Minerals, the Resident Mines Officer and Zonal Mines Officer and, in some instances, local government are included under the cost of sales. Royalties are calculated based on quantities of limestone and red clay crushed/hailed and pozzolana used during the year under review, royalties are recognised up on consumption of the respective materials.

o) Cash and cash equivalent

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

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

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

p) Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

Site restoration provision

The provision for restoration represents the cost of restoring site damage after the start of production. Increases in the provision are charged to profit or loss as a cost of production.

Restoration costs are estimated at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

q) Employees' benefits

Pension benefit

All the Group's local employees are either members of the National Social Security Fund (NSSF) or the PPF Pensions Fund (PPF), which are defined contribution plans. These plans are prescribed by law. All employees must be a member of at least one of the aforementioned. The Group and employees both contribute 10% of the employees' gross salaries to the NSSF. For PPF, the Group and employees contribute 15% and 5% of the employees' basic salaries to the scheme respectively. The Group contribution is charged to the profit or loss when incurred.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy based on the number of employees expected to accept the offer.

r) Employees bonus

Employees are entitled for annual bonuses which are performance based; the company recognises a liability and an expense for bonuses, based on a formula that takes into consideration individual's achievement on the pre agreed annual targets. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

r) Comparatives

Where necessary, comparative figures are adjusted or reclassified to conform to changes in the presentation in the reporting period. No adjustments or reclassification have been made in the current year.

t) Determination of fair value

The fair value for financial instruments traded in active markets at the financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

u) Cash Dividend and non-cash distributions

The Group recognises dividend liability when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the Board of Directors. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in profit or loss.

v) Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where any Group controlled entity purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

No gain or loss is recognised in profit or loss in the purchase, sale or cancellation of the Group's own equity instruments. Share options exercised by employees during the reporting period are satisfied with treasury shares.

w) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's Board of Directors.

Dividend withholding tax

Dividend withholding tax is payable at a rate of 15% on dividends distributed to shareholders. This tax is not attributable to the Company

paying the dividend but is collected by the Company and paid to the tax authorities on behalf of the shareholder. Dividend withholding tax is included in dividend paid in the statement of changes in equity.

2.4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The accounting policies adopted are consistent with those of the previous financial year. Changes from the following new or revised standards and interpretations, amendments to existing standards and interpretations and improvements to IFRSs that were effective for the current reporting period did not have material impact on the accounting policies, financial position or performance of the Group.

- IFRS 14: Regulatory Deferral Accounts (Effective 1 January 2016)
- IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (Effective 1 January 2016)
- IAS 16 and IAS 41: Accounting for bearer plants (Effective 1 January 2016)
- IFRS 11: Accounting for the acquisition of interests in a Joint Operation (Effective 1 January 2016)
- IAS 27: Equity method in separate financial statements (Effective 1 January 2016)
- IAS 1: Presentation of financial statements - Disclosure initiative (Effective 1 January 2016)
- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception - Amendments to IFRS 10, IFRS 12 and IAS 28
- Annual Improvements 2012-2014 Cycle - These improvements were effective for annual periods beginning on or after 1 January 2016. They include:-
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in method of disposal
 - IFRS 7 Financial Instruments: Disclosures - Servicing Contracts and Applicability of the offsetting disclosures to condensed interim financial statements
 - IAS 19 Employee Benefits - Discount Rate: regional market issue
 - IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'
 - Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated and separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the judgments, apart from those involving

estimations, which have had significant effects on the amounts recognized in the consolidated and separate financial statements.

Operating lease commitments - Group as a lessee

The Group has entered into lease agreements for office space and residential premises. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the leased assets and the present value of the minimum lease payments not amounting to substantially all of the fair value of the leased assets, that it does not take on all the significant risks and rewards of ownership of the leased assets and accounts for the arrangements as operating leases.

Refer to Note 31 for details on operating leases.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated and separate financial statements were prepared. Existing circumstances and assumptions about future developments may, however, change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for quarry restoration

The Group's quarry is an open pit quarry with bench heights at 12-15 metres. The overburden materials vary in thickness, but seldom exceed 0.5 metres. The removed overburden is later used as natural backfill material on the mined benches. Limestone is mined from the quarry in a way that leaves the "used" area as a one-level horizontal plateau (bench). The Group has re-cultivated the lands of the quarry that will no longer be mined. The Group has prepared a quarry restoration plan.

For the carrying amount of the provision for site restoration refer to Note 26 to the consolidated and separate financial statements.

Asset useful lives

The estimated useful lives and residual values of items of property, plant and equipment are reviewed annually and are in line with the rates at which they are depreciated.

For the carrying amount of property, plant and equipment, refer to Note 16 to the consolidated and separate financial statements.

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the company may be forced to incur charges in excess of the presently established provisions and related insurance

coverage. It is possible that the financial position, results of operations or cash flows of the company could be materially affected by the unfavourable outcome of litigation.

For details on the contingent liabilities amounts, refer to Note 36 to the consolidated and separate financial statements.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Refer to Notes 20 and 39 to the consolidated and separate financial statements for further disclosures on fair value measurements.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of the cash flows.

Refer to Notes 17, 19 and 2.3 (m) for the carrying amounts of the impaired non-financial assets and accounting policy on impairment of non-financial assets.

Intangible assets are tested for impairment annually as well as at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The Group performed the annual impairment assessment for 2016. The Group considers the relationship between value in use and carrying amount of the asset, among other factors, when reviewing for indicators of impairment. As at 31 December 2016, the impairment assessment indicated that there were no indicators that the carrying amount of the investment in Cement Distributor (EA) Limited could be impaired.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based

on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of the deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

For disclosures and details on tax and tax contingencies, refer to Notes 14 and 36 of the consolidated and separate financial statements.

Impairment losses on trade receivables

The Group reviews its accounts and other receivable to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of an individual debtor in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers, or national or local economic conditions that correlate with defaults on assets.

Refer to Notes 18 and 22 of the consolidated and separate financial statements for further details on impairment of receivables.

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated and separate financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. During 2016, the Group has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. Overall, the Group expects no significant impact

on its Consolidated and separate statements of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in Group's financial statements. Many of the disclosure requirements in IFRS 15 are completely new. Preliminary assessments done by the Group indicate that this standard is not expected to significantly affect the way the Group's revenue is accounted for since the Group does not have complex revenue streams. However, application of the standard could result in additional disclosures.

Amendments to IAS 7 Statement of cash flows

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

IFRS 16 Leases

The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. The key features of the new standard are:

- The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17.

- Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.
- The new standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).
- Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.
- Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach.

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The new standard's transition provisions permit certain reliefs.

The new standard requires lessees and lessors to make more extensive disclosures than under IAS 17. The impact of the new standard is being assessed by the Group. However, it is expected that some leases currently accounted for as operating leases will be capitalised in the statement of financial position on adoption of this standard.

Other standards issued but not yet effective

The following new and amended standards are not expected to have an impact on the financial statements of the Group:

- IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (Effective date postponed indefinitely)
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (Effective 1 January 2017)
- IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2 (Effective 1 January 2018)
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (effective 1 January 2018)
- Transfers of Investment Property - Amendments to IAS 40 (effective 1 January 2018)
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018)
- Annual Improvements 2014-2016 cycle
 - IFRS 1 First-time Adoption of International Financial Reporting Standards (effective 1 January 2018)
 - IAS 28 Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment-by investment choice (effective 1 January 2018)
 - IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12 (effective 1 January 2018)

Notes to the consolidated financial statements

for the year ended 31 December 2015

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
5 REVENUE				
Cement revenue	162,145,154	201,288,105	148,945,654	186,521,320
Transport revenue	4,830,328	7,827,940	4,830,328	7,827,941
Total	166,975,482	209,116,045	153,775,982	194,349,261
6 COST OF SALES				
Cost of sales	103,004,908	162,031,875	92,317,303	150,081,111
Cost of sales includes the cost incurred on raw materials, fuel, electricity, personnel, maintenance, distribution and other production expenses. Royalties payable to the Ministry of Energy and Minerals during the year are recognised as expenses and are included in the cost of sales line item as part of direct costs of raw materials. Factors such as decreased production volumes and higher operating efficiencies from the second production line (TK2) positively impacted on the cost of production of cement. Also distribution costs were lower due to lower third party transportation costs primarily driven by distribution cost reduction initiatives and lower sales volumes. Increased use of rail transport of normal average road transport rates, significantly contributed to the cost reduction.				
7 OTHER INCOME				
Sundry income	69,650	236,609	69,041	199,266
Decrease in site restoration provision	124,238	-	124,238	-
Gain on disposal of investment in associate	380,174	-	380,174	-
Gain on sale of property, plant and equipment	1,492,467	-	1,488,872	-
Total	2,066,529	236,609	2,062,325	199,266
8 SELLING EXPENSES				
Includes marketing and sales expenses, personnel expenses, write-off and allowances for bad and doubtful debts, third and related party marketing services				
Total	3,733,943	3,175,626	4,033,943	4,112,706
9 ADMINISTRATION EXPENSES				
Includes personnel expenses, third party services, write-off and allowances for bad and doubtful debts, losses on disposals of assets and administration expenses.				
Total	14,848,985	14,717,352	12,403,215	11,585,097

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
10 OPERATING PROFIT				
Operating profit is arrived at after charging/(crediting):				
(Gain)/loss on sale of property, plant and equipment	(1,492,467)	1,076	(1,488,872)	1,076
Personnel Expenses	11,797,389	11,344,396	9,351,619	8,211,826
Auditor's remuneration:				
Audit fees				
- Health and safety audit	57,000	-	57,000	-
- Auditors' remuneration	211,942	191,213	174,741	148,242
Directors' remuneration				
- Directors' emoluments	1,721,342	1,141,048	1,721,342	1,141,048
Staff costs:				
- Service costs	16,812,293	15,638,230	15,220,126	13,751,890
- Pension costs (Defined contribution plan)	2,225,595	1,419,344	2,225,595	1,419,344
Rentals - Operating lease payments	5,497,879	791,880	5,497,879	791,880
Depreciation				
Charge for the year (Note 16)	17,801,172	6,044,063	17,694,713	5,863,938
Transfer of depreciation to Kiln 2 capital work-in-progress (Note 16(a)iv)	-	(66,059)	-	(66,059)
	17,801,172	5,978,004	17,694,713	5,797,879
Impairment charge				
- On value of investment in subsidiary (Note 19)	-	2,977,438	-	2,977,438
- On goodwill (Note 17)	-	571,986	-	-
- On value of treasury shares/amount due from the Trust (Note 18)	293,771	-	293,771	-
- On value of investment in associate (Note 19)	-	-	-	128,288
	293,771	3,549,424	293,771	3,105,726
11 INTEREST EXPENSE				
Interest expense on bank overdrafts	-	1,441,548	-	1,441,548
Interest expense on term loans	60,598	6,689,529	60,598	6,689,529
Total interest expense	60,598	8,131,077	60,598	8,131,077
Less: Interest expense capitalised in property, plant & equipment	(1,179,942)	(6,689,529)	(1,179,942)	(6,689,529)
Interest expense charged to profit or loss	(1,119,344)	1,441,548	(1,119,344)	1,441,548

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
12 FINANCE INCOME				
Interest income on bank deposits	83,059	320,327	83,059	320,327
13 FOREIGN EXCHANGE LOSS				
Net foreign exchange loss	2,017,766	25,586,870	1,782,877	25,485,511
Less: Foreign exchange gain/(loss) capitalised in property, plant & equipment	544,688	(15,614,774)	544,688	(15,614,774)
Foreign exchange losses charged to profit or loss	2,562,454	9,972,096	2,327,565	9,870,737
14 INCOME TAX				
(a) Income tax charge				
Current income tax	43,750	5,924,632	-	5,828,436
Adjustments in respect of current income tax of the previous years	(170,253)	102,779	(170,253)	102,779
Deferred tax charge/(credit) for the year	1,789,893	(5,590,326)	1,789,893	(5,590,326)
Adjustments in respect of deferred tax of the previous years	(271,968)	-	(271,968)	-
	1,391,422	437,085	1,347,672	340,889
(b) Deferred tax liability				
At 1 January	15,239,526	20,829,852	15,239,526	20,829,852
Charge/(credit) for the year	1,517,925	(5,590,326)	1,517,925	(5,590,326)
At 31 December	16,757,451	15,239,526	16,757,451	15,239,526
Deferred tax liabilities/(assets)				
Accelerated depreciation	43,200,574	20,140,651	43,304,375	20,251,978
Provision for doubtful claims	-	(179,291)	-	(179,291)
Provision for bad debts	(97,535)	(73,243)	(28,023)	(22,454)
Provision for obsolete inventories	(1,787,316)	(1,801,066)	(1,787,316)	(1,801,066)
Impairment of investment in subsidiary	-	-	(893,231)	(893,231)
Impairment of assets	(893,231)	(893,231)	-	-
Impairment of investment in associate	-	(38,486)	-	(38,486)
Impairment of treasury shares/amount due from Trust	(88,132)	-	(88,132)	-
Unrealised foreign exchange loss	(2,449,235)	(2,034,242)	(2,449,235)	(2,034,242)
Unrealised foreign exchange gains	1,080	-	-	-
Provision for bonus	(328,876)	-	(309,203)	-
Current tax losses carried forward	(20,992,992)	-	(20,985,375)	-
Provision for site restoration	(6,409)	(43,682)	(6,409)	(43,682)
	16,557,928	15,077,410	16,757,451	15,239,526

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Deferred tax asset not recognised				
CDEAL - Tanzania	177,638	159,904	-	-
CDEAL - Rwanda	21,885	2,212	-	-
	<u>199,523</u>	<u>162,116</u>	<u>-</u>	<u>-</u>
Net deferred tax liability recognised	<u>16,757,451</u>	<u>15,239,526</u>	<u>16,757,451</u>	<u>15,239,526</u>

In 2015, the Company recognised deferred tax on provision for inventories and certain unrealised foreign exchange differences after obtaining reasonable certainty that necessary documentation will be available at the time of realisation to support these as tax allowable expenses.

The net deferred income tax assets for CDEAL Tanzania and CDEAL Rwanda have not been recognised because in the opinion of the directors, there is no convincing evidence that future taxable profits will be available against which the deferred tax assets can be utilised for the respective companies. The current tax losses have no time limit over which they must be utilised.

(c) Tax rate reconciliation

A reconciliation between the income tax expense and the accounting profit multiplied by the domestic tax rate is as follows:

	%	%	%	%
Standard rate applicable	30	30	30	30
The standard rate has been affected by:				
- Expenses not deductible for tax purposes	2	1	2	2
- Adjustment in respect of deferred tax on prior year provision for inventories obsolescence	-	(18)	-	(18)
- Adjustment in respect of prior year unrealised foreign exchange differences	-	(9)	-	(11)
- Deferred income tax credit not recognised	-	-	-	-
- Adjustments in respect of previous year current tax	(3)	1	(3)	1
- Adjustments in respect of previous year deferred tax	(5)	-	(5)	-
Effective tax rate	24	5	24	4
	2,198,604	1,950,026	2,498,604	2,887,106

(d) Income tax recoverable

At 1 January	(1,773,964)	1,431,608	(1,600,889)	1,538,129
Payment made during the year	(656,832)	(9,232,983)	(358,183)	(9,070,233)
Prior year (over)/under provision (Note 14a)	(170,253)	102,779	(170,253)	102,779
Current year provision (Note 14a)	43,750	5,924,632	-	5,828,436
At 31 December	(2,557,299)	(1,773,964)	(2,129,325)	(1,600,889)

Notes to the consolidated financial statements

for the year ended 31 December 2016

15 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Group and Company by the weighted average number of ordinary shares outstanding during the year. The calculation is based on:

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Profit attributable to ordinary shareholders (TZS' 000)	26,607,759	8,241,683	26,622,528	8,533,161
Total weighted average number of ordinary shares	63,671,045	63,671,045	63,671,045	63,671,045
Treasury shares	(703,152)	(546,600)	(703,152)	(546,600)
Weighted average number of ordinary shares less treasury shares	62,967,893	63,124,445	62,967,893	63,124,445
Basic earnings per share (TZS/share)	423	131	423	135

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the Group and Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. This calculation is based on:

Profit attributable to ordinary shareholders (TZS' 000)	26,607,759	8,241,683	26,622,528	8,533,161
Weighted average number of issued ordinary shares	63,671,045	63,671,045	63,671,045	63,671,045
Treasury shares	(703,152)	(546,600)	(703,152)	(546,600)
Weighted average diluted number of issued ordinary shares	62,967,893	63,124,445	62,967,893	63,124,445
Diluted earnings per share (TZS/share)	423	131	423	135

Notes to the consolidated financial statements

for the year ended 31 December 2016

16 PROPERTY, PLANT AND EQUIPMENT

16(a) PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture Fittings & Equipment	Capital Work in Progress	Total
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Cost						
At 1 January 2016	26,262,517	112,778,354	3,089,367	1,979,229	280,852,698	424,962,165
Additions	175,626	7,971,341	234,416	424,404	8,249,121	17,054,908
Insurance spares addition	-	1,447,446	-	-	-	1,447,446
Transfer from CWIP	9,489,040	277,608,470	-	-	(287,097,510)	-
Disposals	(281,207)	(1,527,467)	(42,937)	(588)	-	(1,852,199)
Translation differences	-	938	1,984	297	-	3,219
At 31 December 2016	35,645,976	398,279,082	3,282,830	2,403,342	2,004,309	441,615,539
Depreciation and impairment						
At 1 January 2016	7,971,537	41,110,740	2,311,980	390,503	-	51,784,760
Charge for the year	883,599	16,476,700	167,939	272,934	-	17,801,172
Disposals	(83,025)	(1,213,768)	(42,937)	-	-	(1,339,730)
Translation differences	-	924	2,130	65	-	3,119
At 31 December 2016	8,772,111	56,374,596	2,439,112	663,502	-	68,249,321
Carrying amount						
At 31 December 2016	26,873,865	341,904,486	843,718	1,739,840	2,004,309	373,366,218
Cost						
At 1 January 2015	26,118,873	109,916,846	2,626,673	644,654	136,706,133	276,013,179
Additions	143,644	4,084,793	585,006	1,008,889	144,080,506	149,902,838
Deprecation capitalised	-	-	-	-	66,059	66,059
Disposals	-	(102,746)	(29,342)	-	-	(132,088)
Reclassification	-	(232,716)	(92,970)	325,686	-	-
Insurance spares utilised	-	(887,823)	-	-	-	(887,823)
At 31 December 2015	26,262,517	112,778,354	3,089,367	1,979,229	280,852,698	424,962,165
Depreciation and impairment						
At 1 January 2015	4,394,223	36,224,975	2,029,797	203,578	-	42,852,573
Charge for the year	599,876	4,985,165	280,927	178,095	-	6,044,063
Disposal	-	(99,400)	1,256	8,830	-	(89,314)
Impairment allocation	2,977,438	-	-	-	-	2,977,438
At 31 December 2015	7,971,537	41,110,740	2,311,980	390,503	-	51,784,760
Carrying amount						
At 31 December 2015	18,290,980	71,667,614	777,387	1,588,726	280,852,698	373,177,406

Notes to the consolidated financial statements

for the year ended 31 December 2016

Information relating to property, plant and equipment:

i) The property, plant and equipment are used as security for facilities provided by NBC Limited, Standard Chartered Bank Limited, First National Bank Tanzania Limited and Government Employees Pension Fund. Refer to Note 27 for further disclosures.

ii) Capitalised borrowing costs:

The Group started the construction of a project referred to as TK2 for the approved construction of the second production line. The projected total cost for TK2 was TZS 300.9 billion. The project was completed during the year. The carrying amount of TK2 at 31 December 2016 was TZS 292.1 billion (2015: TZS 274.6 billion).

The amount of borrowing costs (interest expense and foreign exchange differences on the SA GEFP loan and changes in the value of the interest rate cap) capitalised during the year ended 31 December 2016 was TZS 1.214 billion (2015: TZS 22.542 billion). The borrowings are specific for the construction of TK2 and therefore all qualifying borrowing costs are capitalised.

iii) Included in plant and machinery at 31 December 2016 is TZS 5.2 billion (2015: TZS 3.7 billion) relating to standby equipment or significant components thereof (insurance spares) moved from inventory to plant, machinery and equipment.

iv) Discrete assets that are fully used on TK2 but were already in the condition and location intended management were capitalized and depreciated in 2015. The depreciation amounting to TZS 66 million was capitalized as part of TK2 capital work in progress in 2015.

v) No item of Property, Plant and Equipment was temporarily idle/not in use as at 31 December 2016 (2015: NIL).

vi) At the date of acquisition, the fair values of CDEAL's assets was considered to be equal to its carrying amount with the exception of land and buildings which were valued at TZS 3.4 billion above their carrying amounts. This balance was included in the consolidated financial statements. In 2015, the impairment charge on the CDEAL CGU was first allocated to goodwill (refer to note 17) and the remaining impairment of TZS 2.98 billion was allocated to land and buildings as their recoverable amount was considered lower than their carrying amount prior to recognising the impairment.

16(b) PROPERTY, PLANT AND EQUIPMENT - COMPANY

	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture Fittings & Equipment	Capital Work in Progress (CWIP)	Total
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Cost						
At 1 January 2016	21,034,239	112,835,788	2,318,277	1,418,657	280,852,698	418,459,659
Additions	175,626	7,967,577	234,416	424,404	8,249,121	17,051,144
Insurance spares addition	-	1,447,446	-	-	-	1,447,446
Transfer from CWIP	9,489,040	277,608,470	-	-	(287,097,510)	-
Disposals	(281,207)	(1,527,467)	-	-	-	(1,808,674)
At 31 December 2016	30,417,698	398,331,814	2,552,693	1,843,061	2,004,309	435,149,575
Depreciation						
At 1 January 2016	4,553,823	40,872,950	1,445,646	279,587	-	47,152,006
Charge for the year	810,220	16,456,956	156,589	270,948	-	17,694,713
Disposals	(83,025)	(1,213,768)	-	-	-	(1,296,793)
At 31 December 2016	5,281,018	56,116,138	1,602,235	550,535	-	63,549,926
Carrying amount						
At 31 December 2016	25,136,680	342,215,676	950,458	1,292,526	2,004,309	371,599,649

Notes to the consolidated financial statements

for the year ended 31 December 2016

16(b) PROPERTY, PLANT AND EQUIPMENT - COMPANY (continued)

	Land and Buildings	Plant and Machinery	Motor Vehicles	Furniture Fittings & Equipment	Capital Work in Progress (CWIP)	Total
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Cost						
At 1 January 2015	20,890,595	109,741,978	1,765,904	420,768	136,706,133	269,525,378
Additions	143,644	4,084,379	581,715	997,889	144,080,506	149,888,133
Depreciation capitalised	-	-	-	-	66,059	66,059
Disposals	-	(102,746)	(29,342)	-	-	(132,088)
Insurance spares utilised	-	(887,823)	-	-	-	(887,823)
At 31 December 2015	21,034,239	112,835,788	2,318,277	1,418,657	280,852,698	418,459,659
Depreciation						
At 1 January 2015	4,027,326	36,043,198	1,241,301	103,017	-	41,414,842
Charge for the year	526,497	4,929,152	231,719	176,570	-	5,863,938
Disposals	-	(99,400)	(27,374)	-	-	(126,774)
At 31 December 2015	4,553,823	40,872,950	1,445,646	279,587	-	47,152,006
Carrying amount						
At 31 December 2015	16,480,416	71,962,838	872,631	1,139,070	280,852,698	371,307,653

Refer to Note 16 (a) i - v) for further disclosures.

17 INTANGIBLE ASSETS

(a) Computer software

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Cost	239,025	239,025	239,025	239,025
Accumulated amortisation	(239,025)	(239,025)	(239,025)	(239,025)
At 31 December	-	-	-	-

Notes to the consolidated financial statements

for the year ended 31 December 2016

This was the initial installation cost for the accounting software which was capitalised in 2003 and amortised over six years. Subsequently, the Group pays annual licence and royalty fees for using the software and this is expensed in the respective year when incurred.

(b) Goodwill

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
<u>Cost</u>				
At 1 January	7,444,384	7,444,384	-	-
Changes in goodwill	-	-	-	-
At 31 December	7,444,384	7,444,384	-	-
<u>Impairment</u>				
At 1 January	(7,444,384)	(6,872,398)	-	-
Impairment charge	-	(571,986)	-	-
At 31 December	(7,444,384)	(7,444,384)	-	-
Net carrying amount	-	-	-	-

The goodwill was acquired through business combinations whereby the fair value of the non-controlling interest in Cement Distributors (EA) Limited was estimated by computing the net present value of future cash flows from the subsidiary since it is not a listed Company and no market information was available for its share price.

The goodwill was reviewed for impairment annually based on projected cash flows for the subsidiary as a single cash generating unit. The discounting rate used for 2015 was the Weighted Average Cost of Capital (WACC) of 17.6% (pre-tax rate of 25.14%) and long term inflation of 6.4% was used as the basis for the long term projected performance of the subsidiary for a five-year plan. The principle activity of CDEAL is distribution of cement produced by the Company. The Group reviewed its distribution model towards the end of the 2013 financial year where cement sales through CDEAL were reduced to cater for the prevailing market conditions. This led to reduced CDEAL operations and thus reduced profits. The impairment testing performed during 2015 resulted into fully impairing the carrying amount of the goodwill of TZS 572 million and therefore the carrying value of goodwill as at 31 December 2016 was Nil.

The 2015 impairment assessment was done at the CDEAL level as goodwill was allocated at this level, consistent with the prior periods. The recoverable amount was determined as the value-in-use at TZS 1.175 billion. The total impairment for 2015 was assessed as TZS 3.5 billion. Of this, TZS 0.57 million was allocated to the remaining amount of goodwill and TZS 2.98 billion allocated to the CDEAL land and buildings value [refer to note 16a) vi)].

The most recent forecasts were used in the determination of the value in use as of 31 December 2015. The forecasts used reflected past experience as adjusted to reflect subsequent changes in the business model of CDEAL and took into consideration relevant external and business environment factors like inflation, changes in the competitive landscape and the impact of changes in foreign exchange rates. The forecasts covered a period of five years and a projected long term growth rate of 7.4% (based on long term projected inflation rate of 6.4% and a premium of 1%) was used to determine the terminal value. Accordingly management determined that no further impairment is required.

The intangible assets' titles are not restricted and the carrying amounts of the intangible assets have not been pledged as security for liabilities.

Notes to the consolidated financial statements

for the year ended 31 December 2016

18 EMPLOYEES' SHARE TRUST

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
At 1 January	1,853,782	1,853,782	1,853,782	1,853,782
Refunds received	(53,440)	-	(53,440)	-
Impairment charge	(293,771)	-	(293,771)	-
At 31 December	<u>1,506,571</u>	<u>1,853,782</u>	<u>1,506,571</u>	<u>1,853,782</u>

The amount was advanced to the Tanga Cement Employees' Share Trust (the Trust), an independent entity, established by the Company's employees under Chapter 375 of the laws of Tanzania to purchase shares of the Company for the benefit of the Company's employees. The amount is due on demand from the Company's perspective.

From the Group perspective, the Employee Share Trust is a consolidated structured entity. The Trust has specifically been set up in order to facilitate the delivery of shares to the Company's employees. The Trust holds shares that may be allocated to employees in the future. The 703,152 (2015: 546,600) shares held by the Trust are accounted for as treasury shares in the Group financial statements.

An option has been granted to certain employees to acquire 21,600 (2015: 19,200) shares at a weighted average strike price of TZS 1,971 (2015: TZS 2,193) per share (which is the weighted average market value of the shares on the dates the shares were allocated to the employees). The options are fully vested and can be exercised at any time by the employees. There have been no further options granted to employees in respect of the remaining 681,552 (2015: 527,400) shares held by the Trust.

The amount receivable from the trust is reviewed for impairment annually based on the trusts assets and dividend income to support its capability repay the loan. The trust assets mainly consist of issued shares in the Company which are valued at closing prices on the DSE as at 31 December 2016. Accordingly, the carrying value of the loan receivable was impaired to the fair value deemed reasonably recoverable.

19 INVESTMENTS

(a) Investment in subsidiary

Cost

At 1 January	-	-	11,596,812	11,596,812
Additional investment	-	-	-	-
At 31 December	<u>-</u>	<u>-</u>	<u>11,596,812</u>	<u>11,596,812</u>

Impairment

At 1 January	-	-	(9,849,836)	(6,872,398)
Impairment charge for the year	-	-	-	(2,977,438)
At 31 December	<u>-</u>	<u>-</u>	<u>(9,849,836)</u>	<u>(9,849,836)</u>

Net carrying amount

-	-	1,746,976	1,746,976
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The Company made a decision to change its distribution model due to changes in the market conditions, where a number of distributors are now used instead of using CDEAL as the major distribution company. This caused decreased CDEAL operations leading to reduced profit. An impairment charge of TZS 2.98 billion was recognised in 2015 to reflect the recoverable amount of the investment. There were no indicators that the carrying amount of the investment could be impaired as at 31 December 2016. Refer to Note 17(b) for other disclosures on the impairment.

(b) Investment / Investment in associate

The principle activity of EARHL is rail transportation of cement manufactured by the Company. EARHL is a private entity that is not listed on any public stock exchange and there are no published price quotations for the fair value of this investment. The reporting date and reporting year of the EARHL are the same as those of the Group and both use uniform accounting policies.

The Company and Group consistently applied the equity method of accounting to recognise the share of the results of the associate until 2015. In addition, as at 31 December 2015, the investment was tested for impairment and the testing revealed that no additional impairment above the share of the losses of the associate of TZS 128 million was necessary. The share of losses was charged to the Group profit and the same amount was charged as an impairment loss to the Company profit.

The Company accounts for the investment in associate at cost.

In 2016, the Company disposed of 15% of the previously held 20% of the issued ordinary share capital of EARHL. The remaining investment of 5% of the issued share capital of EARHL was allocated a nominal value of TZS 100,000 which is the deemed cost and carrying amount as at 31 December 2016.

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
At 1 January	531,875	531,875	531,875	531,875
Disposal	(531,775)	-	(531,775)	-
At 31 December	100	531,875	100	531,875
Impairment and share of losses				
At 1 January	260,163	131,875	260,163	131,875
Impairment charge for the year	-	-	-	128,288
Share of losses of associate	-	128,288	-	-
Disposal	(260,163)	-	(260,163)	-
At 31 December	-	260,163	-	260,163
Net carrying amount	100	271,712	100	271,712

Summary of the 2015 financial results for the associate:

	Audited
Revenue	4,214,538
Direct expenses	(3,304,606)
Administrative expenses	(1,450,821)
Loss before tax	(540,889)
Income tax	-
Loss for the year	(540,889)
Other comprehensive income	-
Total comprehensive loss for the year	(540,889)

Percentage held	5%	20%
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Share of losses	(108,178)
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Summary of financial position of the associate as at 31 December 2015:

Total current assets	691,592
Total non current assets	850,668
Total current liabilities	(1,235,831)

Net assets	306,429
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Issued capital	2,659,375
Accumulated losses	(2,352,946)

Total equity	306,429
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Notes to the consolidated financial statements

for the year ended 31 December 2016

The 2015 balances are derived from the associate's audited financial statements. The Group had no other commitments, provisions or contingencies associated with the associate as at 31 December 2015. No balances are disclosed for 2016 as the investment in EARHL is no longer an associate of the Group, but just a minority investment.

(c) Other disclosures on interests in other entities

There are no significant restrictions on the ability of the Group to access or use the assets and settle liabilities of investees. There are no protective rights of non-controlling interests since the Group has no non-controlling interest.

There were no changes in ownership of the investees during the year other than the disposal of the 15% stake previously held in EARHL (2015: None) and the Company has no interests in unconsolidated subsidiaries or structured entities.

The Company has issued a letter of support guaranteeing financial support for CDEAL, if necessary.

20 FINANCIAL ASSET - INTEREST RATE CAP

The Company entered into an Interest Rate Cap (IRC) contract with Standard Chartered Bank Limited to mitigate the volatility of the interest rate on the borrowing facility of USD 45,000,000 for a period of 12 years. The effective date of commencement of the IRC was 27 June 2014. The premium paid was USD 6,690,000 with a floating rate of 6 months USD Libor capped at 2%. Hedge accounting has not been adopted for the IRC instrument as the hedging arrangements did not meet the criteria for hedge accounting stipulated in IAS 39 Financial Instruments: Recognition and Measurement.

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
At 1 January	7,629,752	7,867,067	7,629,752	7,867,067
Fair value loss	(609,470)	(1,843,682)	(609,470)	(1,843,682)
Foreign exchange gain	132,111	1,606,367	132,111	1,606,367
At 31 December	7,152,393	7,629,752	7,152,393	7,629,752

The following table includes the fair value measurement hierarchy of the IRC which is the only financial instrument held by the Group and Company that is measured at fair value:

Fair value measurement as at 31 December 2016:

Interest rate cap valuation	Date	USD	TZS' 000'
Valuation	01 Jan 2016	3,551,165	7,629,752
Loss on fair value		(275,405)	(609,470)
Balance after fair value adjustment	31 Dec 2016	3,275,760	7,020,282
Foreign currency valuation at year end	31 Dec 2016	3,275,760	7,152,393
Exchange rate gain on valuation			132,111

Fair value measurement as at 31 December 2015:

Interest rate cap valuation	Date	USD	TZS' 000'
Premium paid	01 Jan 2015	4,557,976	7,867,067
Fair value		(1,006,811)	(1,843,682)
Loss on fair value	31 Dec 2015	3,551,165	6,023,385
Foreign currency valuation at year end	31 Dec 2015	3,551,165	7,629,752
Exchange rate gain on valuation			1,606,367

Refer to Note 39 for further disclosures on fair value.

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
21 INVENTORIES				
Raw materials (at cost)	6,048,348	6,038,772	6,048,348	6,038,772
Semi finished and finished products (at cost)	8,769,950	16,365,945	8,115,142	15,466,458
Fuels (at cost)	2,713,107	4,606,774	2,713,107	4,606,774
Parts and consumables (at cost)	21,099,458	17,115,953	21,099,458	17,115,953
Total cost	38,630,863	44,127,444	37,976,055	43,227,957
Less: Provision for obsolete inventories	(5,957,721)	(6,003,555)	(5,957,721)	(6,003,555)
Total inventories at the lower of cost and net realisable value	32,673,142	38,123,889	32,018,334	37,224,402
Movement in the provision for obsolete stocks				
At 1 January	6,003,555	5,277,295	6,003,555	5,277,295
(Decrease)/charge for the year	(45,834)	726,260	(45,834)	726,260
At 31 December	5,957,721	6,003,555	5,957,721	6,003,555

Obsolete stock provision is computed on all unused spare parts for a period above one year percentage wise. The change in the provision during the year is recognised as part of cost of sales. The table below indicates how the provision was arrived at:

Calculation for the provision for obsolete inventories as at 31 December 2016

	Amount in TZS' 000'	% Provision	TZS' 000' Provision
Stock with no movement for past 1 year	2,502,512	30%	750,754
Stock with no movement for past 2 years	1,523,877	50%	761,938
Stock with no movement for past 3+ years	5,556,285	80%	4,445,028
Total	9,582,674		5,957,721

The provisioning rates are based on the directors' experience of the rate at which spare parts are written off.

Calculation for the provision for obsolete inventories as at 31 December 2015

	Amount in TZS' 000'	% Provision	TZS' 000' Provision
Stock with no movement for past 1 year	2,415,725	30%	724,718
Stock with no movement for past 2 years	1,025,482	50%	512,741
Stock with no movement for past 3+ years	5,957,620	80%	4,766,096
Total	9,398,827		6,003,555

During 2016, no expense was recognised for inventories carried at net realisable value (2015: Nil).

The cost of inventories recognised as an expense and included in the consolidated 'cost of sales' amounted to TZS 16 million (2015: TZS 74.8 million).

The unrealised profit for the year relating to inventories held by the subsidiary was TZS 221 million (2015: TZS 205 million).

The carrying amount of inventories has been pledged as security for borrowings. Refer to Note 27.

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
22 TRADE AND OTHER RECEIVABLES				
Trade receivable	7,800,433	4,694,926	7,474,607	5,830,028
Prepaid expenses	5,149,998	1,639,627	5,030,759	1,504,597
Other receivables	2,773,496	1,522,895	2,773,496	1,498,475
Provision for impairment of receivables	(155,821)	(80,595)	(93,410)	(74,846)
Total	15,568,106	7,776,853	15,185,452	8,758,254
Movement in the provision for impairment				
At 1 January	80,595	91,368	74,846	91,368
Increase in provision	18,564	5,749	18,564	-
Write off/recoveries	-	(16,522)	-	(16,522)
At 31 December	99,159	80,595	93,410	74,846

The increase in provision during the year relates to the impairment charge on the advance paid for the Mivumoni Biofarm Project.

Trade receivables are non-interest bearing and are generally on 30 day terms. As at 31 December 2016 and 31 December 2015, no trade receivables were impaired as there is no history of default and the effect of the time value of money is not significant.

Days sales outstanding for 2016 were 17 days (2015: 12 days).

The ageing analysis of trade receivables was as follows:

Up to 30 days	4,581,064	957,724	3,798,647	967,184
31 -60 days	1,262,745	243,724	2,332,990	1,313,969
61-90 days	913,544	2,567,666	1,001,357	2,655,479
Over 91 days	1,043,080	925,812	341,613	893,396
At 31 December	7,800,433	4,694,926	7,474,607	5,830,028

For details on the Company's and Group's credit risk management processes and the carrying amounts of the Company's and Group's trade and other receivables which are denominated in different currencies refer to Note 35.

Other classes within trade and other receivables do not contain impaired assets other than the impaired advance paid for the Mivumoni Biofarm Project. The carrying amounts of the above receivables approximate to their fair values because they are short term in nature and there is no additional credit risk that has not already been considered in the impairment allowance.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Company and Group do not hold any collateral as security for the trade and other receivables.

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
23 VAT RECOVERABLE				
At 1 January	17,019,367	525,566	16,983,726	-
Net input VAT for the year	39,704	16,983,726	50,562	16,983,726
Amounts utilised during the year	(7,564,434)	(489,925)	(7,564,434)	-
At 31 December	9,494,637	17,019,367	9,469,854	16,983,726
The Value Added Tax (VAT) recoverable will be utilised to offset future output VAT. Where not recovered through this mechanism, the amount is claimable for refund from the revenue authority.				
24 CASH AND BANK BALANCES				
Cash at banks and on hand	9,503,431	24,339,787	8,485,755	23,297,360
Total	9,503,431	24,339,787	8,485,755	23,297,360
The carrying amounts disclosed above reasonably approximate fair values at the reporting date.				
No amount of cash and cash equivalent was held but not available for use as at 31 December 2016 and 31 December 2015.				
The cash and cash equivalents position for the purpose of the statement of cash flow was as follows:				
Cash and cash equivalents as above	9,503,431	24,339,787	8,485,755	23,297,360
Bank overdraft (Note 27b)	(6,984,256)	(6,047,195)	(6,984,256)	(6,047,195)
Net cash and cash equivalents	2,519,175	18,292,592	1,501,499	17,250,165
Undrawn borrowing facilities - overdraft facilities				
Standard Chartered Bank	9,078,328	6,192,137	9,078,328	6,192,137
National Bank of Commerce (NBC)	5,988,370	17,760,668	5,988,370	17,760,668
First National Bank Tanzania Limited (FNB)	2,050,954	-	2,050,954	-
25 ISSUED CAPITAL				
(a) Authorised				
63,671,045 Ordinary shares of TZS 20 each	1,273,421	1,273,421	1,273,421	1,273,421
(b) Issued and fully paid				
63,671,045 Ordinary shares of TZS 20 each	1,273,421	1,273,421	1,273,421	1,273,421
There were no movements in the share capital of the Company during the year. The Company has only one class of ordinary shares which carries no right to fixed income. The ownership structure is as set out as below.				
The proportion of shareholding is as follows:				
	%	%	%	%
AfriSam (Mauritius) Investment Holdings Limited	68.30	66.60	68.30	66.60
Tanga Cement Employee Share Trust	0.86	0.80	0.86	0.80
General public	30.84	32.60	30.84	32.60
	100.00	100.00	100.00	100.00

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
26 PROVISION FOR SITE RESTORATION				
At 1 January	145,602	101,577	145,602	101,577
Additional provision during the year	-	44,025	-	44,025
Decrease due to change in estimates	(124,238)	-	(124,238)	-
At 31 December	21,364	145,602	21,364	145,602

The original provision for site restoration is calculated at every reporting date based on the environmental specialist costing prepared in 2005. The provision is assessed annually by management and new cost estimates are prepared by the environmental specialist every two years. The increase/(decrease) in the provision is recognised in profit or loss.

The key assumptions used in determining the provision are:

- The useful life of the site is estimated to be 50 years and the provision is made based on the discounted expected cost of closure at the end of this period.
- The discount rate used was 15.97%
- The site is of medium risk and medium sensitivity
- Tanzania inflation rate used was 4.9% (2015: 6.1%)
- The estimated actual site restoration cost assuming closure happened as at year-end was TZS 3.2 billion.

27 INTEREST - BEARING BORROWINGS

The details of the external borrowing facilities as at year-end were as set out below:

(a) South African Government Employees Pension Fund (SAGEPF)

SAGEPF is managed by The Public Investment Corporation SOC Limited (PIC) as agent and security trustee.

At 1 January	204,792,600	49,227,558	204,792,600	49,227,558
Proceeds received	-	116,742,350	-	116,742,350
Interest accrued	60,598	6,689,529	60,598	6,689,529
Interest paid	(16,690,061)	-	(16,690,061)	-
Foreign exchange difference	2,213,829	32,133,163	2,213,829	32,133,163
At 31 December	190,376,966	204,792,600	190,376,966	204,792,600
Less: Current portion	(13,157,583)	(7,430,069)	(13,157,583)	(7,430,069)
Non current portion	177,219,383	197,362,531	177,219,383	197,362,531

Notes to the consolidated financial statements

for the year ended 31 December 2015

Facility	Loan type	Interest rate	Maturity	Group		Company	
				2016	2015	2016	2015
				TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
USD 60 million PIC term loan A and USD 52 million PIC term loan B							
2016: \$ 60,000,000 (2015: \$ 60,000,000)	Loan A	6 months US Libor +3.9%	By September 2026			103,615,740	103,615,740
2016: \$ 31,859,822 (2015: \$ 31,859,822)	Loan B	6 months US Libor +4.5%	By September 2025			62,027,251	62,027,251
			Fx revaluation at year end			33,933,369	31,719,540
Total principal amount						199,576,360	197,362,531
Interest accrued						(9,199,394)	7,430,069
Total amount outstanding						190,376,966	204,792,600
The current portion is made up as follows:							
Principal amount						10,363,376	-
Interest accrued						(9,199,394)	7,430,069
						1,163,982	7,430,069
Available facilities	USD	Repayment/ Settlements terms	USD	Interest rate			
Term Loan (Facility A)	60,000,000	By September 2026	60,000,000	6m US Libor +3.9%			
Term Loan (Facility B)	52,000,000	By September 2025	52,000,000	6m US Libor +4.5%			
Term Loan (Facility C)	30,000,000	By September 2025	30,000,000	6m US Libor +4.5%			
	<u>142,000,000</u>		<u>142,000,000</u>				

Facility C was not utilised during the year. The purpose of the term loan was to fund the construction of a new kiln for the production of 750,000 tons of clinker per annum. The specific terms and conditions are as follows:

- (i) All three facilities have a three year grace period for repayments, during which only interest will be paid.
- (iii) All three facilities are repayable in equal six-monthly instalments after the initial grace period.
- (iii) Drawings must be in minimum amounts of USD 500,000 or the remaining amount of funds available.
- (iv) The borrower may, with the agreement of the lender and on 30 days notice, make early repayments with a minimum value of USD 2,500,000.
- (v) Early repayments under facility C will attract penalties equal to 2% of the amount repaid early.
- (vi) Amounts repaid early are not available for re-borrowing.

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'

Security pledged

(i) Secured by fixed and floating assets shared with National Bank of Commerce (NBC) Limited, Standard Chartered Bank Tanzania Limited and First National Bank Tanzania Limited on pari passu basis.

(ii) Legal Mortgage over Title No. 1802 registered in name of Tanga Cement Factory, Maweni.

(iii) Legal Mortgage over Title No. 33155 registered in name of Tanga Cement Factory, Pongwe.

(iv) Legal Mortgage over Title No. 33049 registered in name of Tanga Cement Factory, Raskazone.

The Company started making interest payments during the year (2015 Nil).

(b) Bank overdraft facilities

Standard Chartered Bank Tanzania Limited	921,672	3,807,863	921,672	3,807,863
National Bank of Commerce Limited (NBC)	4,011,630	2,239,332	4,011,630	2,239,332
First National Bank Tanzania Limited (FNB)	2,050,954	-	2,050,954	-
Total	6,984,256	6,047,195	6,984,256	6,047,195

Standard Chartered Bank Tanzania Limited

Details	Amount	Repayment/ Settlements terms
Overdraft facility (TZS '000)	10,000,000	On demand
		12 months T-Bill +2.20% per annum

Security held by the bank

(i) Secured by fixed and floating assets shared with National Bank of Commerce Limited, First National Bank Tanzania Limited and SASAGEPF on a pari passu basis;

(ii) Legal Mortgage over Titles No. 1802, 33155, 33049 registered in name of Tanga Cement Factory, shared pari passu with National Bank of Commerce Limited, First National Bank Tanzania Limited and SAGEPF.

Interest rate

The overdraft bears a rate of interest of 6 months treasury bill rate plus 2.75% (2015: 1 year treasury bill rate plus 2.2% per annum), charged every month on the daily outstanding amount. It is agreed that, the bank is entitled to vary the rate of interest provided that due notice shall be given to the Company. All funding agreements share in the same intercredit agreement with SAGEPF.

National Bank of Commerce Limited (NBC)

	Amount	Repayment/ Settlements terms	Facility
Overdraft facility (TZS '000)	10,000,000	On demand	12 months T-Bill +2.5% per annum

Security held by the bank

(i) Secured by fixed and floating assets shared with Standard Chartered Bank Tanzania Limited, First National Bank Tanzania Limited and SAGEPF on a pari passu basis;

(ii) Legal Mortgage over Titles No. 1802, 33155, 33049 registered in the name of Tanga Cement Factory, shared pari passu with Standard Chartered Bank Tanzania Limited, First National Bank Tanzania Limited and SAGEPF.

Notes to the consolidated financial statements

for the year ended 31 December 2016

Interest rate

The overdraft bears a rate of interest of 6 months treasury bill rate plus 2.5% (2015: 1 year treasury bill rate plus 2.5%), charged every month on the daily outstanding amount. It is agreed that, the bank is entitled to vary the rate of interest provided that due notice shall be given to the Company.

First National Bank Limited (FNB)

	Amount (USD)	Repayment/ Settlements terms	Interest rate
Overdraft facility	3,500,000	On demand	6m USD Libor + 6.6% per annum

Security held by the bank

(i) Secured by fixed and floating assets shared with National Bank of Commerce Limited, Standard Chartered Bank Tanzania Limited and SAGEPF on a pari passu basis;

(ii) Legal Mortgage over Titles No. 1802, 33155, 33049 registered in the name of Tanga Cement Factory, shared pari passu with National Bank of Commerce Limited, Standard Chartered Bank Tanzania Limited and SAGEPF.

Interest rate

The overdraft bears a rate of interest of 6 months USD Libor + 6.6% per annum, charged every month on the daily outstanding amount. It is agreed that, the bank is entitled to vary the rate of interest provided that due notice shall be given to the Company.

	Group		Company	
	2016 TZS' 000'	2015 TZS' 000'	2016 TZS' 000'	2015 TZS' 000'
28 TRADE AND OTHER PAYABLES				
Trade accounts payable	10,301,344	12,953,891	7,585,776	11,552,810
Advances from customers	591,433	989,925	591,433	989,925
Freight and duty clearing	1,041,404	793,346	1,041,404	793,346
Dividend payable	1,154,279	1,647,018	1,154,279	1,647,018
Accrued expenses	5,457,222	6,781,090	5,457,222	6,781,090
Contract retention	11,900,685	28,555,282	11,900,685	28,555,282
Other payables	4,060,919	2,537,774	4,060,920	2,537,775
Total	34,507,286	54,258,327	31,791,719	52,857,246

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled between 15 to 45 days after date of invoice.
- Advances from customers are non-interest bearing and have an average term of 30 days.
- Other payables are non-interest bearing and have an average term of three to six months. The majority of these liabilities relate to the TK2 project.
- Contract retention relates to liabilities for the TK2 project which are to be settled after the contract has handed over the project.
- For terms and conditions relating to related parties, refer to Note 32.

The carrying amounts of the above trade and other payables approximate to their fair values due to the short term nature of the financial liabilities.

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
29 CASH GENERATED FROM OPERATING ACTIVITIES				
Reconciliation of profit before tax to cash flow from operating activities:				
Operating profit	19,838,619	19,900,373	19,574,749	19,866,008
Adjusted for non cash movement:				
Depreciation (Note 10)	17,801,172	5,978,005	17,694,713	5,797,879
Impairment charge on amount due from the Trust	293,771	3,549,424	293,771	3,105,726
Gain on disposal of investment	(380,174)	-	(380,174)	-
(Profit)/loss on sale of property, plant & equipment	(1,492,467)	1,076	(1,488,872)	1,076
(Decrease)/increase in site restoration provision	(124,238)	44,025	(124,238)	44,025
Net fair value loss on financial asset	-	-	-	-
Insurance spares utilised	-	887,823	-	887,823
Operating profit before working capital changes	35,936,683	30,360,726	35,569,949	29,702,537
Decrease in amount due from the Trust	53,440	-	53,440	-
Decrease/(increase) in inventories	5,450,747	(1,947,291)	5,206,068	(1,710,044)
(Increase)/decrease in trade and other receivables	(7,791,253)	10,179,955	(6,427,198)	14,899,403
Decrease/(increase) in VAT recoverable	7,524,730	(16,493,801)	7,513,872	(16,983,726)
(Decrease)/increase in trade and other payables	(19,751,041)	7,331,611	(21,065,527)	3,211,358
Cash generated from operating activities	21,423,306	29,431,200	20,850,604	29,119,528
30 DIVIDEND PAID AND PROPOSED				
Dividend paid during the year				
Dividends on ordinary shares:				
Final dividend 2015: TZS 25 per share (2014: TZS 65 per share)	1,591,776	4,138,618	1,591,776	4,138,618
Interim dividend 2016: TZS 55 per share (2015: TZS 55 per share)	3,501,907	3,501,907	3,501,907	3,501,907
Total	5,093,683	7,640,525	5,093,683	7,640,525

Where required by law, dividends paid are subject to withholding tax which is payable to Tanzania Revenue Authority.

Subsequent to year-end, the Board proposed a final dividend for 2016 totalling TZS xxx million (2015: TZS 1,592 million) being TZS xx per share (2015: TZS 25 per share). The total dividend proposed for the year amounts to TZS xxx million (TZS xxx per share) [2015: TZS 5,094 million (TZS 80 per share)]. The final dividend for 2016 will be proposed for approval by the shareholders at the Company's Annual General Meeting and is not recognised as a liability as at 31 December 2016.

Any dividends not claimed after seven years are rescinded. As at year-end, the 2009 unclaimed dividends amounting to TZS 594 million were rescinded.

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'

31 OPERATING LEASES

During the year, the Company and Group entered into operating lease agreements for a number of properties, under which the minimum lease payments are as follows:

Commitments expiring in:

- Within one year	5,698,848	1,331,385	5,497,879	791,881
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The Group and Company have no significant leasing arrangements with restrictions or purchase options (2015: None).

During the year, the Company charged TZS 5,497 million (2015: TZS 792 million) while the Group charged TZS 5,699 million (2015: TZS 1,331 million) as expenses to profit in respect of these leases.

32 RELATED PARTY DISCLOSURES

Refer to Note 38 for the disclosures on the ultimate holding company.

(a) Sales to related parties

The Company sells products to related companies. The transactions with the related companies were as follows:

Related party	Relationship				
Cement Distributors (E.A) Limited	Subsidiary	-	-	20,494,681	23,465,925

(b) Purchases from related parties

The Group purchases services from related party companies as follows:

Related party	Relationship				
CDEAL - Transportation services	Subsidiary	-	-	8,746,380	4,251,597
CDEAL - Marketing services	Subsidiary	-	-	300,000	900,000
AfriSam South Africa (Proprietary) Limited	Shareholder	1,114,715	1,857,343	1,114,715	1,857,343
PIC (SAGEPF) - interest expense	Shareholder	60,598	6,689,529	60,598	6,689,529
East African Rail Hauliers Limited	Investee	104,595	646,071	104,595	646,071

The Group utilises services of EARHL for the transportation of cement to upcountry markets at agreed rates. EARHL is a company in which the Company owns 5% (2015: 20%) of the issued share capital. EARHL commenced operations in December 2004. Its business is to provide rail services to the Company for the transportation of cement in Tanzania according to a commercial contract signed between the two parties.

AfriSam (Mauritius) Investment Holdings Limited is the holding company which owns the majority of the shares in the Company through AfriSam South Africa Properties (Pty) Limited. There were no transactions between AfriSam (Mauritius) Investment Holdings Limited and the Company during the year (2015: Nil).

(c) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group and Company, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Compensation for key management personnel

Short-term employee benefits (salary)	4,877,496	3,213,023	3,464,582	2,149,363
Post-employee benefits (Defined contribution plans)	459,952	285,551	346,458	225,311
	5,337,448	3,498,574	3,811,040	2,374,674

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
The amounts disclosed in the table above are the amounts recognised as expenses during the reporting period related to key management personnel. As at 31 December 2016, there was no outstanding amount with key management personnel (2015: Nil).				
Directors' emoluments				
Non-executive Chairman	41,107	38,845	41,107	38,845
Non-executive Directors	180,103	136,426	180,103	136,426
Executive Directors (included in key management personnel above)	1,500,132	965,777	1,500,132	965,777
	<u>1,721,342</u>	<u>1,141,048</u>	<u>1,721,342</u>	<u>1,141,048</u>

As at 31 December 2016, there were no outstanding balance with the directors (2015: Nil).

(d) Amounts due to/from related parties

Balances outstanding at the end of the year to and from related companies are as follows:

Due from related parties

Due from the Trust	-	-	1,506,571	1,853,782
Cement Distributors (EA) Limited	-	-	4,114,597	3,242,023

Due to related companies

Cement Distributors (EA) Limited	-	-	873,162	497,220
East African Rail Hauliers Limited	-	60,180	-	60,180
Government Employees Pension Fund - SA GEPP loan	190,376,966	204,792,600	190,376,966	204,792,600
AfriSam South Africa (Pty) Limited	<u>220,022</u>	<u>366,496</u>	<u>220,022</u>	<u>366,496</u>

The Company did not pay any group fee to the holding company, AfriSam Group (Pty) Limited. The amount due to AfriSam South Africa (Pty) Limited, the holding company, relates to reimbursable expenses incurred on behalf of the Company. The amount due to CDEAL relates to various services provided to the Company.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. At 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: Nil). This assessment is undertaken at the end of each financial year through examining the financial position of the related party and the market in which the related party operates.

33 CAPITAL COMMITMENTS

As at the reporting date, the Group had the following capital commitments:

Approved and contracted for :

Other capital projects	14,615,659	7,633,385	14,615,659	7,633,385
Expansion - TK2	<u>-</u>	<u>53,120,511</u>	<u>-</u>	<u>53,120,511</u>

Notes to the consolidated financial statements

for the year ended 31 December 2016

Group		Company	
2016	2015	2016	2015
TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'

34 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2016 and 31 December 2015.

The Group and Company monitor capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt bank overdrafts, interest-bearing borrowings, trade and other payables less cash and cash equivalents, excluding discontinued operations. Capital includes issued and fully paid share capital (including any treasury shares), retained earnings and other reserves.

	Note				
Bank overdrafts		6,984,256	6,047,195	6,984,256	6,047,195
Interest-bearing loans and borrowings		190,376,966	204,792,600	190,376,966	204,792,600
Trade and other payables	28	34,507,286	54,258,327	31,791,719	52,857,246
Less: Cash and bank balances	24	(9,503,431)	(24,339,787)	(8,485,755)	(23,297,360)
Net debt		<u>222,365,077</u>	<u>240,758,335</u>	<u>220,667,186</u>	<u>240,399,681</u>
Total capital		<u>212,020,677</u>	<u>189,629,480</u>	<u>213,715,327</u>	<u>191,592,336</u>
Capital and net debt		<u>434,385,754</u>	<u>430,387,815</u>	<u>434,382,513</u>	<u>431,992,017</u>
Gearing ratio		<u>51%</u>	<u>56%</u>	<u>51%</u>	<u>56%</u>

The Group's and Company's policy is to maintain a gearing ratio of between 20% to 70%. The gearing ratio decreased to 55% as of 31 December 2016 (2015: 56%) mainly due to the decrease in trade and other payables following the payment of the TK2 contractor's retention amount.

As indicated in Note 16 of the Directors' Report, as at year-end, the Company was not in compliance with the Debt: EBITDA ratio required in the SAGEPF (PIC) loan borrowing agreement. This was mainly because of the decrease in EBITDA and increase in the debt amount following the drawdowns made during 2015. The loan does not become repayable on demand because of this. The Company obtained a waiver for this covenant from the lender as of year-end.

35 FINANCIAL RISK MANAGEMENT

The Company's and Group's principal financial liabilities are comprised of interest bearing loans, bank overdrafts and trade and other payables. The Company and Group do not enter into derivative transactions for trading purposes. The main purpose of these financial liabilities is to raise finance for the Company's and Group's operations. The Company and Group have various financial assets such as trade and other receivables and cash and bank balances, which arise directly from its operations, and a derivative financial asset (interest rate cap) which is a hedging instrument against interest rate fluctuations on the SAGEPF (PIC) loan.

The main risks arising from the Company's and Group's financial instruments are liquidity risk, market risk and credit risk. Market risk comprises interest rate risk, foreign exchange risk and price risk. The Company and Group do not have significant exposure to price risk since no price sensitive financial instruments are held.

Notes to the consolidated financial statements

for the year ended 31 December 2016

Policies are reviewed and agreed upon at Company and Group level in order to manage the financial risks as summarised below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices relevant to the Group and Company comprise two types of risks: interest rate risk and currency risk.

The sensitivity analysis in the following sections relate to the positions as at 31 December in 2016 and 2015. The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at year-end. The analysis excludes the impact of movements in market variables on provisions and non-financial instruments.

The following assumption has been made in calculating the sensitivity analysis:

- The sensitivity of the relevant profit or loss item is the effect of the assumed changes in the respective market risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's and Group's exposure to the risk of changes in market interest rates relates primarily to the long term debt and overdraft facilities with floating interest rates.

To manage the interest rate risk on the long term loan, the Company entered into an interest rate cap arrangement with Standard Chartered Bank which caps the floating USD 6 months libor at 2%. The interest rate cap agreement with the bank is for a period of 12 years and covers the first USD 45 million of the total principle amount owing of USD 91.8 million resulting in an unhedged debt amount of USD 46.8 million (51% of the principle term loan debt). The premium paid upfront for the interest rate cap was USD 6.7 million.

The Group has used a sensitivity analysis technique that measures the estimated change before tax to profit of an instantaneous increase and decrease of 100 basis points in market interest rates on financial liabilities with all other variables remaining constant. The calculations were determined with reference to the total unhedged outstanding term loan balances for the year. This represents no change from the prior period in the method and assumptions used. This analysis is for illustrative purposes only and represents management's best estimate of a reasonably possible change in market interest rates in the medium term. Although market indicators are that interest rates are more likely to increase, both a 1% increase and a 1% decrease have been included for purposes of comparative sensitivity analysis.

2016 Group and Company - TZS '000'	Effect on PBT of a 1% increase	Effect on PBT of a 1% decrease
Interest bearing term loan	(1,018,084)	1,018,084
Bank overdraft	(69,843)	69,843
2015 Group and Company - TZS '000'	Effect on PBT of a 1% increase	Effect on PBT of a 1% decrease
Interest bearing term loan	(1,006,791)	1,006,791
Bank overdraft	(60,472)	60,472

The Company's investments in interest bearing bank deposits are mainly on negotiated fixed interest rates.

The table below summarises the Group's and Company's exposure to interest rate risk. Included in the table are the Group's and Company's financial instruments at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

Notes to the consolidated financial statements

for the year ended 31 December 2016

	On demand TZS' 000'	1 - 12 months TZS' 000'	1 - 5 years TZS' 000'	> 5 years Tzs' 000'	Non interest bearing Tzs' 000'	Total TZS' 000'
Group						
At 31 December 2016						
Financial assets						
Financial asset - Interest rate cap	-	-	-	-	7,152,393	7,152,393
Trade and other receivables	-	-	-	-	10,418,108	10,418,108
Cash and bank balances	-	2,805,177	-	-	6,698,254	9,503,431
	-	2,805,177	-	-	24,268,755	27,073,932
Financial liabilities						
Term borrowings: Non current portion	-	-	93,270,397	83,948,986	-	177,219,383
Term borrowings: Current portion	-	13,157,583	-	-	-	13,157,583
Trade and other payables	-	-	-	-	34,507,286	34,507,286
Bank overdrafts	6,984,256	-	-	-	-	6,984,256
	6,984,256	13,157,583	93,270,397	83,948,986	34,507,286	231,868,508
Net exposure	<u>(6,984,256)</u>	<u>(10,352,406)</u>	<u>(93,270,397)</u>	<u>(83,948,986)</u>	<u>(10,238,531)</u>	<u>(204,794,576.0)</u>
At 31 December 2015						
Financial assets						
Financial asset - Interest rate cap	-	-	-	-	7,629,752	7,629,752
Trade and other receivables	-	-	-	-	6,137,226	6,137,226
Cash and bank balances	-	10,779,394	-	-	13,560,393	24,339,787
	-	10,779,394	-	-	27,327,371	38,106,765
Financial liabilities						
Term borrowings: Non current portion	-	-	85,642,430	111,720,101	-	197,362,531
Term borrowings: Current portion	-	7,430,069	-	-	-	7,430,069
Trade and other payables	-	-	-	-	54,258,328	54,258,328
Bank overdrafts	6,047,195	-	-	-	-	6,047,195
	6,047,195	7,430,069	85,642,430	111,720,101	54,258,328	265,098,123
Net exposure	<u>(6,047,195)</u>	<u>3,349,325</u>	<u>(85,642,430)</u>	<u>(111,720,101)</u>	<u>(26,930,957)</u>	<u>(226,991,358)</u>

Notes to the consolidated financial statements

for the year ended 31 December 2016

	On demand	1 - 12 months	1 - 5 years	> 5 years	Non interest bearing	Total
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Company						
At 31 December 2016						
Financial assets						
Financial asset - Interest rate cap	-	-	-	-	7,152,393	7,152,393
Due from employees' share trust	-	-	-	-	1,506,571	1,506,571
Trade and other receivables	-	-	-	-	10,154,693	10,154,693
Cash and bank balances	-	2,805,177	-	-	5,680,578	8,485,755
	-	2,805,177	-	-	24,494,235	27,299,412
Financial liabilities						
Term borrowings: Non current portion	-	-	93,270,397	83,948,986	-	177,219,383
Term borrowings: Current portion	-	13,157,583	-	-	-	13,157,583
Trade and other payables	-	-	-	-	31,791,719	31,791,719
Bank overdrafts	6,984,256	-	-	-	-	6,984,256
	6,984,256	13,157,583	93,270,397	83,948,986	31,791,719	229,152,941
Net exposure	(6,984,256)	(10,352,406)	(93,270,397)	(83,948,986)	(7,297,484)	(201,853,529)
At 31 December 2015						
Financial assets						
Financial asset - Interest rate cap	-	-	-	-	7,629,752	7,629,752
Trade and other receivables	-	-	-	-	7,253,657	7,253,657
Cash and bank balances	-	10,779,394	-	-	12,517,966	23,297,360
	-	10,779,394	-	-	27,401,375	38,180,769
Financial liabilities						
Term borrowings: Non current portion	-	-	197,362,531	-	-	197,362,531
Term borrowings: Current portion	-	-	-	-	7,430,069	7,430,069
Trade and other payables	-	-	-	-	52,857,246	52,857,246
Bank overdrafts	6,047,195	-	-	-	-	6,047,195
	6,047,195	-	197,362,531	-	60,287,315	263,697,041
Net exposure	(6,047,195)	10,779,394	(197,362,531)	-	(32,885,940)	(225,516,272)

Notes to the consolidated financial statements

for the year ended 31 December 2016

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company's and Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, when expenses are denominated in a different currency from the Company's and Group's functional currency.

Foreign currency risk is managed at an operational level and monitored by the Chief Financial Officer. Exposure to losses from foreign currency liabilities is managed through prompt payment of outstanding liabilities and matching of receipts with payments in the same currencies.

The following table demonstrates the sensitivity to possible changes in the exchange rate between the Tanzanian Shilling (TZS) and foreign currencies (mainly US dollar, other currencies are considered to be immaterial), with all other variables held constant, of the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in the value of TZS vs. USD	Effect on profit and equity TZS'000	Increase/(de- crease) in the value of TZS vs. USD	Effect on profit and equity TZS'000
Net effect based on statement of financial position	+10%	(17,661,806)	10%	(18,569,612)
Net effect based on statement of financial position	-10%	18,714,176	-10%	18,054,511

The Company's and Group's sensitive analysis has been determined based on net transaction exposure as at year-end. A change in 10% is used when the net foreign currency transaction risk reported internally to key management personnel to assess reasonably possible change in foreign exchange rates.

The various currencies to which the Company and Group was exposed as 31 December 2016 and 2015 are summarised in the table below (All amounts expressed in TZS '000).

Group - At 31 December 2016

	Exposure in USD	Exposure in EURO	Exposure in ZAR	Total in functional currency
Financial assets				
Financial asset - Interest rate cap	7,152,393	-	-	7,152,393
Trade and other receivables	1,849,859	-	-	1,849,859
Cash and bank balances	2,669,407	353,036	162,861	3,185,303
	<u>11,671,659</u>	<u>353,036</u>	<u>162,861</u>	<u>12,187,555</u>
Financial liabilities				
Bank overdrafts	2,050,954	-	-	2,050,954
Interest bearing loans	202,370,567	-	-	202,370,567
Trade and other payables	1,123,646	805,384	73,727	2,002,756
	<u>205,545,167</u>	<u>805,384</u>	<u>73,727</u>	<u>206,424,277</u>
Net exposure	<u>(193,873,508)</u>	<u>(452,347)</u>	<u>89,134</u>	<u>(194,236,722)</u>

Notes to the consolidated financial statements

for the year ended 31 December 2016

Group - At 31 December 2015

	Exposure in USD	Exposure in EURO	Exposure in ZAR	Total in functional currency
Financial assets				
Financial asset - Interest rate cap	7,629,752	-	-	7,629,752
Trade and other receivables	1,786,404	-	-	1,786,404
Cash and bank balances	18,472,348	351,328	86,813	18,910,488
	<u>27,888,504</u>	<u>351,328</u>	<u>86,813</u>	<u>28,326,645</u>
Financial liabilities				
Bank overdrafts	2,050,954	-	2,050,954	4,101,908
Interest bearing loans	204,792,600	-	-	204,792,600
Trade and other payables	6,216,521	91,814	278,029	6,586,364
	<u>213,060,075</u>	<u>91,814</u>	<u>2,328,983</u>	<u>215,480,872</u>
Net exposure	<u>(185,171,571)</u>	<u>259,514</u>	<u>(2,242,170)</u>	<u>(187,154,228)</u>

Company - At 31 December 2016

	Exposure in USD	Exposure in EURO	Exposure in ZAR	Total in functional currency
Financial assets				
Financial asset - Interest rate cap	7,152,393	-	-	7,152,393
Trade and other receivables	1,680,770	-	-	1,680,770
Cash and bank balances	2,289,280	-	-	2,289,280
	<u>11,122,444</u>	<u>-</u>	<u>-</u>	<u>11,122,444</u>
Financial liabilities				
Bank overdrafts	2,050,954	-	-	2,050,954
Interest bearing loans	202,370,567	-	-	202,370,567
Trade and other payables	1,100,616	805,384	73,727	1,979,726
	<u>205,522,137</u>	<u>805,384</u>	<u>73,727</u>	<u>206,401,247</u>
Net exposure	<u>(194,399,693)</u>	<u>(805,384)</u>	<u>(73,727)</u>	<u>(195,278,803)</u>

Notes to the consolidated financial statements

for the year ended 31 December 2016

	Company - At 31 December 2015			Total in functional currency
	Exposure in USD	Exposure in EURO	Exposure in ZAR	
Financial assets				
Financial asset - Interest rate cap	7,629,752	-	-	7,629,752
Trade and other receivables	2,817,368	-	-	2,817,368
Cash and cash equivalents	18,137,487	-	-	18,137,487
	<u>28,584,607</u>	<u>-</u>	<u>-</u>	<u>28,584,607</u>
Financial liabilities				
Bank overdrafts	2,050,954	-	2,050,954	4,101,908
Interest bearing loans	204,792,600	-	-	204,792,600
Trade and other payables	6,655,073	91,814	278,029	7,024,916
	<u>213,498,628</u>	<u>91,814</u>	<u>2,328,983</u>	<u>215,919,425</u>
Net exposure	<u>(184,914,020)</u>	<u>(91,814)</u>	<u>(2,328,983)</u>	<u>(187,334,818)</u>
Applicable exchange rates:	USD	Euro	ZAR	
Average for the year ended 31 December 2016	2,177	2,399	149	
At 31 December 2016	2,173	2,270	159	
Average for the year ended 31 December 2015	2,001	2,206	155	
At 31 December 2015	2,149	2,348	139	

(b) Credit risk

The Company and Group deal only with recognised, creditworthy third parties. It is the Company's and Group's policy that all customers who wish to trade on credit terms are subjected to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis, with the result that the Company's and Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Company or Group do not offer credit terms without the approval of Group management. With respect to credit risk arising from the other financial assets of the Company and Group which comprise bank balances, the Group uses banks which are regulated. The Company and Group evaluate the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries that operate in largely independent markets.

The Company's and Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The maximum exposure to credit risk at the reporting date is the carrying value of the balances indicated below:

	Note	Group		Company	
		2016	2015	2016	2015
		TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
Due from employees' share trust	18	-	-	1,506,571	1,853,782
Financial asset - Interest rate cap	20	7,152,393	7,629,752	7,152,393	7,629,752
Trade and other receivables (gross less pre-payments)	22	10,573,929	6,217,821	10,248,103	7,328,503
Bank balances	24	9,503,431	24,339,787	8,485,755	23,297,360
		<u>27,229,753</u>	<u>38,187,360</u>	<u>27,392,822</u>	<u>40,109,397</u>

Notes to the consolidated financial statements

for the year ended 31 December 2016

(c) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group's business activities may not be available and thus the Group being unable to fulfil its existing and future cash flow obligations. The directors have assessed that any existing breaches of borrowing agreement covenants do not materially impact the Group's and Company's liquidity.

The Group monitors its liquidity risk by using cash flow projections. The Group's objective is to maintain a balance between continuity of funding through the use of overdrafts, creditors and term borrowings. The table below summarises the maturity profile of the Group's financial liabilities at year-end based on contractual undiscounted payments. The ageing of the interest bearing term loans is determined based on the contractual repayment obligations, that is, six-monthly equal instalments after the three year grace period.

Group	On demand	Less than 3 months	1 to 5 years	More than 5 years	Total
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
At 31 December 2016					
Bank overdrafts	6,984,256	-	-	-	6,984,256
Interest-bearing loans	-	-	147,460,112	128,391,048	275,851,160
Trade and other payables	-	34,507,286	-	-	34,507,286
	<u>6,984,256</u>	<u>34,507,286</u>	<u>147,460,112</u>	<u>128,391,048</u>	<u>317,342,702</u>
At 31 December 2015					
Bank overdrafts	6,047,195	-	-	-	6,047,195
Interest-bearing loans	7,430,069	-	149,799,280	183,472,118	340,701,467
Trade and other payables	-	54,258,327	-	-	54,258,327
	<u>13,477,264</u>	<u>54,258,327</u>	<u>149,799,280</u>	<u>183,472,118</u>	<u>401,006,990</u>
Company					
At 31 December 2016					
Bank overdrafts	6,984,256	-	-	-	6,984,256
Interest-bearing loans	-	-	147,460,112	128,391,048	275,851,160
Trade and other payables	-	31,791,719	-	-	31,791,719
	<u>6,984,256</u>	<u>31,791,719</u>	<u>147,460,112</u>	<u>128,391,048</u>	<u>314,627,135</u>
At 31 December 2015					
Bank overdrafts	6,047,195	-	-	-	6,047,195
Interest-bearing loans	7,430,069	-	149,799,280	183,472,118	340,701,467
Trade and other payables	-	52,857,246	-	-	52,857,246
	<u>13,477,264</u>	<u>52,857,246</u>	<u>149,799,280</u>	<u>183,472,118</u>	<u>399,605,908</u>

36 CONTINGENT LIABILITIES

There are several court cases instituted against the Group by some of its ex-employees whose services ceased as part of a specific redundancy exercise and others due to termination of employment or retirement. These ex-employees are claiming various employment termination benefits aggregating to over TZS 7.5 billion (2014: TZS 4.6 billion).

As at 31 December 2016, there was a potential contingent liability of TZS 7 billion related to a land dispute with Pande villagers. The case was to be mentioned in court in March 2016.

As at 31 December 2015, the Company was a defendant in other lawsuits. The plaintiffs are claiming damages and interest thereon for losses caused by the Group due to breach of contract. The amount of the potential loss has not been established so far.

Notes to the consolidated financial statements

for the year ended 31 December 2016

As at 31 December 2016, the Company had a number of unresolved tax assessment of more than TZS 2 billion including income tax, VAT, pay-as-you-earn and other tax assessments. The unresolved tax assessments include TZS 589 million relating to treatment of VAT on imported services and TZS 335 million relating to treatment of unrealised foreign exchange differences. The Company objected to the assessments and paid the required one third of the assessed amounts where required. The Company has submitted detailed documentation to the revenue authority to support the objections.

In the opinion of the directors and the Group's legal counsel, no material liabilities are expected to crystallise from the above matters.

37 EVENT AFTER REPORTING DATE

Other than as indicated in Note 34 that the Debt to EBITDA covenant level was adjusted by the lender from <4.0 to <6.0 subsequent to year-end, no events have occurred after the reporting period which require disclosure in or adjustment to the consolidated and separate financial statements.

38 ULTIMATE HOLDING COMPANY

The immediate holding company of the Group is AfriSam (Mauritius) Investment Holdings Limited which is controlled by AfriSam Group (Pty) Limited incorporated in South Africa. The Government Employees Pension Fund of South Africa owns 66% of the shares in AfriSam Group (Pty) Limited through a fund managed by the Public Investment Corporation (SOC) Limited.

39 FAIR VALUE

IFRS 13 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 Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices, interest and yield curves) or indirectly (that is, derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs to valuation techniques).

The fair value of the only financial instrument measured at fair value in the consolidated and separate financial statements, that is, the derivative asset resulting from the interest rate cap, is valued using fair values independently sourced from the vendor. The fair value is based on quoted values as provided by the vendor at the reporting date being the values that the vendor sells similar instruments in an active market. As such, the interest rate cap financial asset is categorised under Level 2 for the purpose of fair value measurement.

Description of valuation techniques used and key inputs to valuation of the interest rate cap financial asset:

Valuation technique	Significant observable inputs	Range (weighted average)	
		2016	2015
Market approach	6 months LIBOR interest rates	0.84% - 1.32%	0.36% - 0.85%
	TZS:USD foreign exchange rates	2,173 - 2,177	2,001 - 2,149

The fair value of the Group's and Company's other financial assets and liabilities reasonably approximates the carrying amounts.

- Trade and other receivables and payables, and bank balances: Due to the short term nature of the financial instruments.

- Interest bearing loans and borrowings: The interest rates charged on the borrowings are in line with the market interest rates charged on similar loans.

40 SEGMENT INFORMATION

The Group is organised into one single business unit for management purposes. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which is measured the same as the operating profit or loss in the financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2016

The Group's operations are restricted to manufacturing and selling of cement to consumers. No single customer of the Company contributes revenue amounting to more than 10% of the Company's revenue except for the fully owned subsidiary, Cement Distributors (E.A) Limited which contributed 19% of the Company's revenue for the current year (2015: 13%).

	Group		Company	
	2016	2015	2016	2015
	TZS' 000'	TZS' 000'	TZS' 000'	TZS' 000'
<i>Location of non-current assets</i>				
Non current assets located in Tanzania	380,512,131	381,069,023	380,499,118	380,956,093
Non current asses located in Rwanda and Burundi	6,580	9,847	-	-
	<u>380,518,711</u>	<u>381,078,870</u>	<u>380,499,118</u>	<u>380,956,093</u>
<i>Source of revenue</i>				
Revenue from Tanzania	156,627,534	199,459,563	124,534,921	166,631,738
Revenue from Rwanda and Burundi	10,347,948	9,656,482	-	-
	<u>166,975,482</u>	<u>209,116,045</u>	<u>124,534,921</u>	<u>166,631,738</u>

The Group and Company's revenue is from sale of cement and transportation services as disclosed in Note 5.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on the date shown on the statement of financial position page. They are subject to approval by the shareholders during the Annual General Meeting.

42 GOING CONCERN ASSESSMENT

The Company's directors have made an assessment of the Group's and Company's ability to continue as a going concern and are satisfied that the Group and Company have the resources to continue in business for the foreseeable future. Furthermore, the directors are not aware of any other material uncertainties that may cast significant doubt upon the Group's and Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Proxy Form

The Company Secretary
Tanga Cement Public Limited Company
P O Box 5053
Tanga

Please complete in block letters

I/ We of P O Box being a
shareholder/ shareholders of Tanga Cement PLC hereby appoint of
P O Box as my/ Proxy to vote for me/ on our behalf at the Annual General Meeting
of the Company to be held on Friday 5 May 2017, at the Hyatt Regency Dar Es Salaam, The Kilimanjaro, or at any adjournment thereof.

Signed and witnessed on this day of 2017

.....
(Signature/s)

Fomu ya Mwakilishi

Katibu wa Kampuni
 Tanga Cement Public Limited Company
 S L P 5053
 Tanga

Tafadhali jaza kwa herufi kubwa

Mimi/Sisi..... wa S L P

Nikiwa mwanahisa/wanahisa wa Tanga Cement PLC, nachagua wa
 S L P kama mwakilishi wangu/wawakilishi/wetu kupiga kura kwa ajili yangu/yetu
 na kwa niaba yangu/ yetu katika Mkutano Mkuu wa Mwaka wa Kampuni utakao fanyika siku ya Ijumaa tarehe 5 Mei 2017, Hoteli ya
 Hyatt Regency Dar Es Salaam, The Kilimanjaro, au mahali popote patakapo amuliwa.

Kama shahidi saina yangu/zetu leo Tarehe 2017

.....
 (Saini)



Notice to Members

TANGA CEMENT PUBLIC LIMITED COMPANY (Incorporated in the United Republic of Tanzania)

Notice is hereby given that the twenty third Annual General Meeting of Shareholders of Tanga Cement Public Limited Company will be held at the Hyatt Regency Dar es Salaam, The Kilimanjaro Hotel on Friday 5 May 2017 at 14:00 hours, for the following purposes:

1. Notice of Meeting

Notice convening the meeting to be taken as read.

2. Approval of Minutes

To approve and sign the minutes of the twenty second Annual General Meeting held on 13 May 2016.

3. Financial Statements and Directors' Reports

To review and adopt the Financial Statements and Directors' report for the year ended 31 December 2016.

4. Dividend for the year ended 31 December 2016

To approve the dividend declaration(s) for the year ended 31 December 2016.

5. Appointment of Directors

To appoint Directors to the Board.

6. Approval of Directors Remuneration

To approve the directors remuneration for the 2017 financial year.

7. Appointment of External Auditors

To approve the appointment of the External Auditors for the 2017 financial year.

8. General

Any other business.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and vote on their behalf. If a member is an organisation then the proxy must submit proxy forms and a Board resolution to approve the appointment of the proxy. These proxies are to reach the registered office of the Company not less than 48 hours before the time of the meeting. Members and holders of proxies are required to bring with them acknowledgements of receipt of delivery of proxy forms, copies of proxy forms and identification card for registration purpose..

By order of the Board.



Quresh Ganijee
Company Secretary
5 April 2017

Taarifa Kwa Wanachama

TANGA CEMENT PUBLIC LIMITED COMPANY (Imeshirikishwa katika Jamhuri ya Muungano wa Tanzania)

Taarifa inatolewa kwa wanahisa kwamba Mkutano Mkuu wa Mwaka wa ishirini na mbili wa wanahisa wa Kampuni ya Tanga Cement Plc utakaofanyika Hoteli ya Hyatt Regency Dar es Salaam, The Kilimanjaro, siku ya Ijumaa tarehe 13 Mei 2016 kuanzia saa 8 mchana kwa madhumuni yafuatayo:

1. Taarifa ya Mkutano

Taarifa ya kuitisha mkutano ichukuliwe kama inavyosomeka.

2. Kupitisha Kumbukumbu

Kuidhinisha na kusaini kumbukumbu za Mkutano Mkuu wa Mwaka wa ishirini na mbili uliofanyika tarehe 13 Mei 2016.

3. Taarifa za Fedha na Ripoti za Wakurugenzi

Kupitia na kupitisha Taarifa za Fedha na ripoti za Wakurugenzi kwa mwaka ulioishia tarehe 31 Disemba 2016.

4. Gawio kwa mwaka ulioishia tarehe 31 Disemba 2016

Kuidhinisha tamko la gawio kwa mwaka ulioishia tarehe 31 Disemba 2016.

5. Uteuzi wa Wakurugenzi

Kuteua Wakurugenzi wa Bodi.

6. Kuidhinisha Mapato ya Wakurugenzi

Kuidhinisha mapato ya Wakurugenzi kwa mwaka wa fedha 2017.

7. Uteuzi wa Wakaguzi wa Nje

Kuidhinisha uteuzi wa Wakaguzi wa Nje kwa mwaka wa fedha 2017.

8. Majumuisho

Mengineyo.

Mwanachama yeyote anayestahili kuhudhuria na kupiga kura kwenye mkutano ana haki ya kuchagua mwakilishi au wawakilishi na kupiga kura kwa niaba yake. Kama mwanachama ni shirika basi mwakilishi anatakiwa fomu za uwakilishi pamoja na maamuzi ya Bodi ya kumteua mwakilishi huyo. Fomu hizo zifike katika ofisi iliyosajiliwa ya Kampuni si chini ya ya masaa 48 kabla ya muda wa mkutano kuanza. Wanachama au wawakilishi wanatakiwa kuja na risiti ya amana na kitambulisho kwaajili ya usajili.

Kwa agizo la Bodi.



Quresh Ganijee
Katibu wa Kampuni
5 Aprili 2017



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