

ANNUAL REPORT
TAARIFA YA MWAKA
2013



**SIMBA
CEMENT**

A quality product from Tanga Cement Company Limited



**Demonstrate environmental
stewardship and promote sustainability
in communities.**

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Demonstrate environmental stewardship and promote sustainability in communities.



Our commitment to supporting the Tanzanian community is easily seen and remembered.

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Yaliyomo

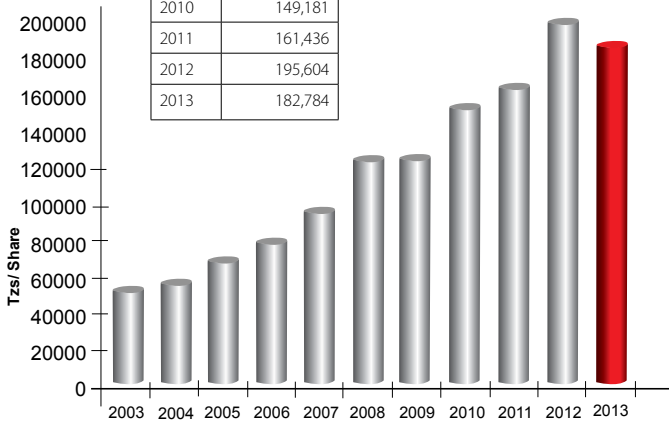
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Dividend per share: **2012 : Tzs 100**
2013 : Tzs 110

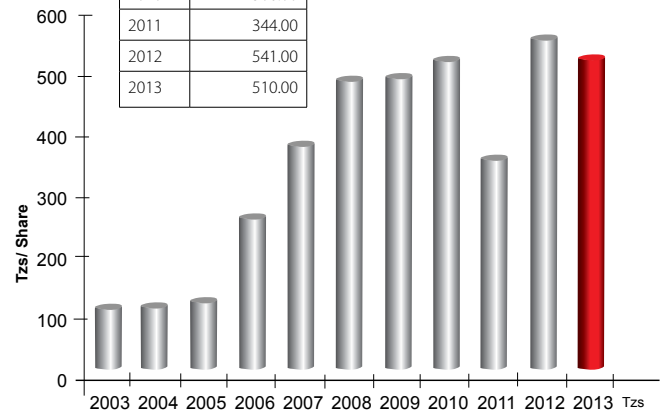
Year	Tzs billions
2003	50,888
2004	54,352
2005	67,023
2006	77,627
2007	93,784
2008	121,349
2009	119,898
2010	149,181
2011	161,436
2012	195,604
2013	182,784

Revenue



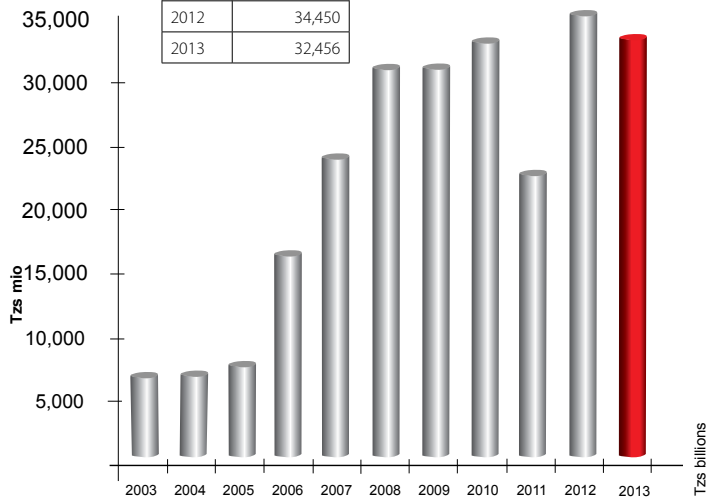
Year	Tzs
2003	101.00
2004	102.00
2005	113.60
2006	251.24
2007	370.51
2008	475.15
2009	477.77
2010	506.00
2011	344.00
2012	541.00
2013	510.00

Earning per share



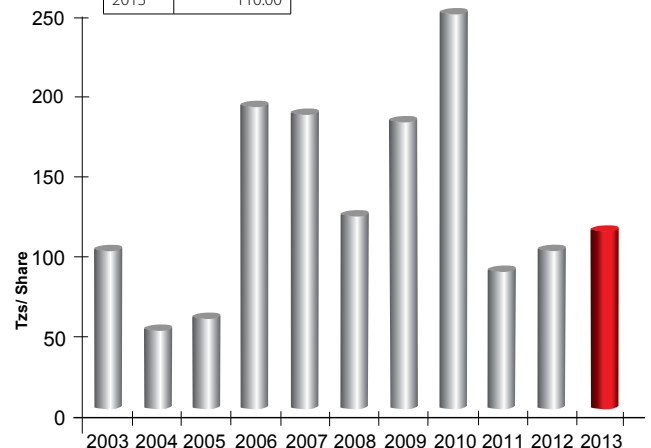
Year	Tzs billions
2003	6,412
2004	6,517
2005	7,233
2006	15,997
2007	23,591
2008	30,253
2009	30,420
2010	32,194
2011	21,929
2012	34,450
2013	32,456

Profit after taxation

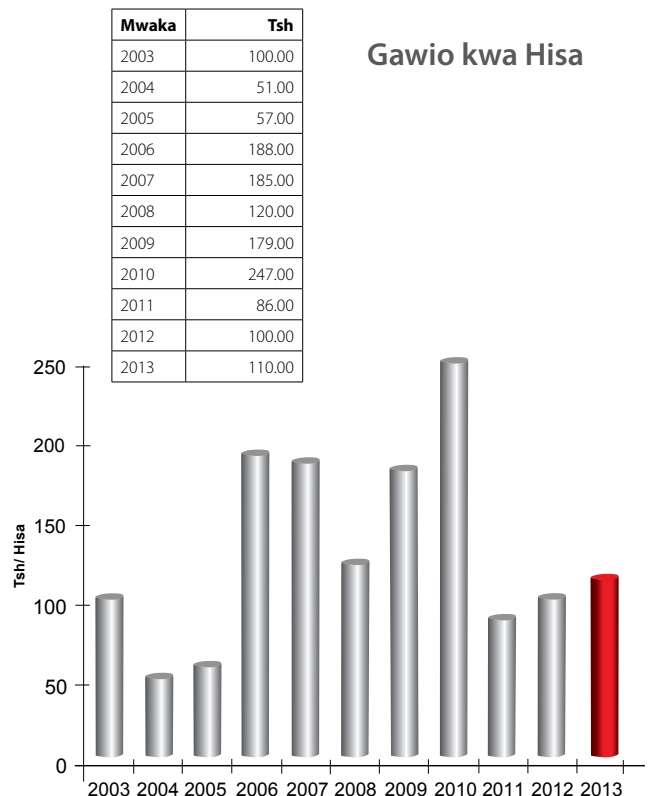
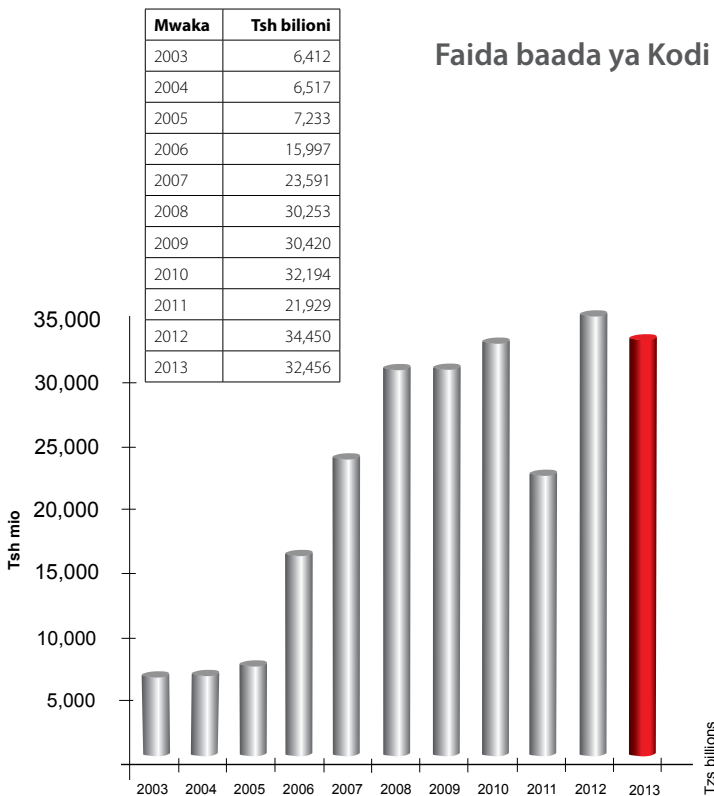
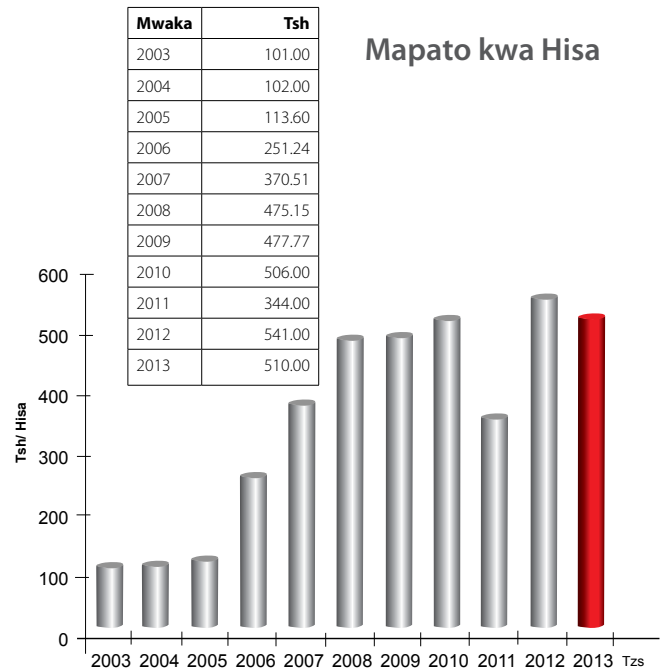
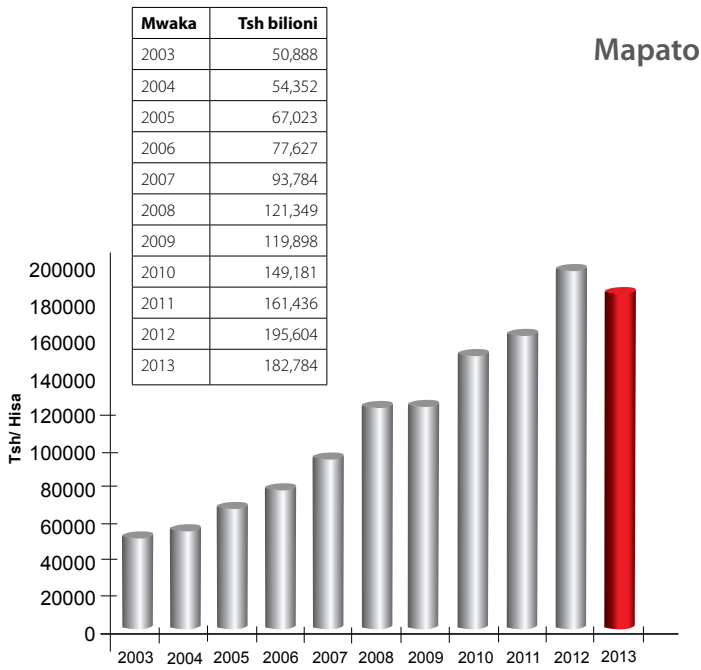


Year	Tzs
2003	100.00
2004	51.00
2005	57.00
2006	188.00
2007	185.00
2008	120.00
2009	179.00
2010	247.00
2011	86.00
2012	100.00
2013	110.00

Dividend per share



Gawio kwa hisa: 2012 : Tzs 100
2013 : Tzs 110



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Directors' Profiles Maelezo mafupi kuhusu Wakurugenzi

Lawrence Masha (43) **Board Chairperson** Tanzanian

- LLM (International & Comparative Law),
- Lawrence is the Managing Partner of Ishengoma, Karume, Masha and Magai (Advocates),
- Former Tanzanian Minister for Home Affairs, former Member of Parliament for Nyamagana Constituency, former Deputy Minister for Energy & Minerals and Deputy Minister for Home Affairs,
- He has been Managing Director of Tanzania Oxygen, a Board Member of Tanzanite One (T) Limited, and a Founding Council Member of the Dar es Salaam Stock Exchange,
- Board Member of Blue Financial Services, Member of Tanganyika Law Society and East Africa Law Society,
- Director and shareholder in Basix East Africa Limited, as well as Eco-protection Tanzania Limited, Tanzania's leading waste management company.



Reinhardt Swart (40) **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'sDudfield cement production facility, South Africa,
- He held the position of General Manager before being seconded to Tanga Cement Company Limited to oversee the successful completion of the expansion project.



Mwenyekiti (43) Mtanzania

- LLM (Kimataifa na Sheria Linganishi),
- Lawrence ni Mkurugenzi mwenza wa Ishengoma, Karume, Masha na Magai (Advocates),
- Waziri wa zamani wa Mambo ya Ndani Tanzania, Mbunge wa zamani wa Jimbo la Nyamagana mwaka 2005, Naibu Waziri wa zamani wa Nishati na Madini na Naibu Waziri wa zamani wa Mambo ya Ndani,
- Amekuwa Mkurugenzi Mtendaji waTanzania Oxygen, Mjumbe wa Bodi yaTanzanite One (T) Limited, na mmoja wa wajumbe waanzilishi wa Baraza la Soko la Hisa la Dar Es Salaam,
- Mjumbe wa Bodi ya Blue Financial Services,
- Mjumbe waTanganyika Law Society na East Africa Law Society,
- Mkurugenzi na mbia katika Kampuni ya Basix Afrika Mashariki Limited.

Mkurugenzi mtendaji (40) Mwafrika Kusini

- Bsc. (Mechanical Engineering),
- Reihardt 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 saruji cha AfriSam Dudfield, Afrika Kusini,
- Alishika katika nafasi ya Meneja Mkuu kabla ya kuletwa, Kampuni yaTanga Cement kusimamia ufanikishaji wa ukamili shaji mradi wa upanuzi.

Taarifa ya Mwaka **2013**

Maelezo mafupi kuhusu Wakurugenzi Directors' Profiles

Khamis Omar (49)
(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,
- He Serves on various boards including the Zanzibar Revenue Board, Bank of Tanzania and the Tanzania Revenue Authority.



Cornelius Kariwa (53)
(Non-Executive)
Tanzanian

- LLB (Hons), LLM (IT & T),
- Cornelius is a lawyer and has been a practicing advocate since 1994,
- He is a founding partner and Managing counsel of the law firm Kariwa & Co. Advocates,
- Immediate past Chairperson of the Association of Tanzania Employers (ATE),
- He is an author of various papers and has participated in a number of conferences, seminar, workshops and short training programmes.



Si-Mtendaji (49)
Mtanzania

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

Si-Mtendaji (53)
Mtanzania

- LLB (Hons), LLM (IT & T),
- Cornelius ni Mwanasheria na amekuwa Wakili tangu mwaka 1994,
- Ni m-bia mwanzilishi na mshauri mtendaji wa Kampuni ya sheria ya Kariwa & Co Advocates,
- Ni Mwenyekiti aliyepita wa Chama cha Waajiri Tanzania (ATE),
- Ameandika majarida mbalimbali na ameshiriki katika mikutano kadhaa, semina, warsha na programu mbali mbali za mafunzo.



Dr Steohan Olivier (54)
(Non-Executive)
South African

- Dr Stephan Olivier is the Chief Executive Officer of Afrisam,
- He has held various positions in Afrisam, including Director for Marketing and Technical, Chief Operating Officer for Cement Operations,
- Served on the management committee of the Association of Cement Material Producers since 2006 and has been a member of the Holcim technical Committee since 2004.

Si-Mtendaji (54)
Mwafrika Kusini

- Dk Stephan Olivier ni Afisa Mtendaji Mkuu wa Afrisam,
- Amewahi kushika nyadhifa mbalimbali katika katika Kampuni ya Afrisam ikiwemo cheo cha Mkurugenzi wa Masoko na Afisa Msimamizi mkuu,
- Amekuwa ni mjumbe wa kamati ya usimamizi ya Umoja wa wazalishaji wa malighafi za saruji tangu mwaka 2006 na maekuwa mjumbe wa kamati ya ufundi ya Holcim tangu mwaka 2004.

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Directors' Profile

Maelezo mafupi kuhusu Wakurugenzi

Mr. Trevor Wagner (66)
(Non-Executive)
South African

- CA(SA), MBL
- Trevor is retired but serves on a number of boards as a Non-Executive Director, including Robor and Xuba Polymer Industries,
- Started his career as an Audit Manager at PriceWaterhouseCoopers.
- Chairman of Idwala Provident Fund. Previously a Group Financial Director at the Alpha Cement Group, which subsequently became AfriSam Holdings (Pty),
- He was a shareholder and Deputy CEO of the Group, responsible for finance, administration, human resources and business strategy,
- The past Chairman of SAICA's Northern Region and a past member of SAICA's National Board.



Mwinda Mfugale (39)
(Non-Executive)
Tanzanian

- MA(Business Leadership), BA (Int. Relations & Marketing Management),
- Mwinda is the Head of Marketing, Communications and Corporate Affairs of National Bank of Commerce (NBC),
- She has worked with various organisations in Tanzania and South Africa including: Kenya Airways (T), HerdBuouys McCann-Erickson(SA), Vodacom (Tanzania) as well as Tanzania Postal Bank (TPB) in the areas of advertising and Strategic Marketing Management.



Si-Mtendaji(66)
Mwafrika Kusini

- CA(SA)
- Trevor ni mstaafu lakini ni mtumishi katika bodi kama Mkurugenzi asiye mtendaji, wa kampuni mbali mbali ikiwa ni pamoja na Roborna Xuba Polymer Industries,
- Alianza kazi yake kama Meneja wa ukaguzi wa kampuni ya PriceWaterhouseCoopers
- Mwenyekiti wa IdwalaProvidentFund.
- Alikuwa Mkurugenzi wa Fedha wa Alpha Cement Group, ambayo hatimaye ikawa AfriSam Holdings (Pty).
- Alikuwa mwanahisa na Naibu Mkurugenzi Mtendaji wa Kampuni anayewajibika na masuala ya fedha, utawala, rasilimali watu na mkakati wa biashara.
- Ni Mwenyekiti wa zamani wa SAICA ya Mkoa wa Kaskazini na mwanachama wa zamani wa Bodi ya Taifa ya SAICA ya Afrika Kusini.

Si-Mtendaji (39)
Mtanzania

- MA (Uongozi wa Biashara), BA (Mahusiano ya Kimataifa na Uongozi wa Masoko)
- Mwinda ni Mkuu wa Masoko, Mawasiliano na Mahusiano wa Benki ya Taifa ya Biashara (NBC).
- Amefanya kazi na mashirika mbalimbali nchini Tanzania na Afrika Kusini ikiwa ni pamoja na: Shirika la ndege, Kenya Airways(T), HerdBuouys McCann-Erickson (SA), Vodacom (Tanzania) na mengine kama vile Benki ya Posta Tanzania (TPB) katika sekta ya usimamizi wa masoko na matangazo.

Taarifa ya Mwaka **2013**

Maelezo mafupi kuhusu Wakurugenzi Directors' Profile

Leon Serfontein (39) (Non-Executive)

South African

- B.Com Accounting(Hons), CA(SA),
- Leon has been employed by AfriSam from 1 July 2000,
- He is the Chief Financial Officer for AfriSam,
- He held the positions of Financial Manager, acting Chief Financial Officer, Financial Controller cement & commercial, Financial Controller - corporate within the organization,
- He completed his articles at KPMG.



David Lee (56) Company Secretary

British

- FCCA,
- David is the Chief Financial Officer of the Company,
- He held various positions including of Finance Manager at Sandvik Mining and Construction Zimbabwe,
- Finance Manager at Zimbabwe Photo Marketing,
- Finance Director and Company Secretary with SKF Zimbabwe,
- Group Financial Controller Intertec Africa Limited for Malawi, Tanzania and Mozambique,
- Regional Finance Director SKF Sub Sahara region.



Si-Mtendaji (39)

Mwafika Kusini

- B.Com Accounting (Hons), CA(SA)
- Leon ameajiriwa na AfriSam kuanzia tarehe 1 Julai 2000.
- Ni Afisa Mkuu wa Fedha wa AfriSam.
- Alishika nafasi ya Meneja wa Fedha, kaimu kaimu Afisa Mkuu wa fedha, Mtawala wa Fedha upande wa saruji na biashara, Mtawala wa Fedha - Kampuni.
- Kabla ya hapa alifanya kazi KPMG.

Katibu wa Kampuni (56)

Mwingereza

- FCCA,
- David ni Afisa Mkuu wa Fedha wa Kampuni,
- Alishika nyadhifa mbalimbali ikiwa ni pamoja na Meneja wa Fedha katika Kampuni ya Sandvik Mining and Construction ya Zimbabwe,
- Meneja wa Fedha wa Zimbabwe Photo Marketing, Mkurugenzi wa Fedha na Katibu wa Kampuni ya SKF Zimbabwe,
- Mdhhibiti wa Fedha wa Intertec Afrika Limited kwa ajili ya Malawi, Tanzania na Msumbiji,
- Mkurugenzi wa Fedha wa kanda wa SKF Sub-Sahara.

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Chairperson's Statement



Introduction

During 2013 Tanga Cement Company Limited (TCCL) celebrated some significant milestones and successes in executing its strategy and living up to its brand promise of being the 'Pride of the Nation'. We are proud of our contribution towards the development of Tanzania and, more importantly, to the lives of the many people we are able to touch and enhance through our business activities.

Macro-Economic Overview

Tanzania has continued to maintain overall macroeconomic stability, which has been a fundamental factor behind the positive economic growth. Demand for cement products, both locally and from the export markets, remains high. Despite the increase in low-priced imports and changes in the competitive landscape, our high-quality products and sound relationships with customers enable us to thrive in the fiercely competitive environment. We will continue to improve on our quality and service offering in order to maintain market share and sales performance.

Inflation declined from last year, to an annual rate of 5.6% (2012: 12.1%), while the steady exchange rate helped by providing a degree of stability in the costs of our clinker and other imported materials.

Historical sales and distribution performance

The past year was characterised by challenging trading conditions in the local market. This was mainly due to increased competition as a result of growing cement imports. Although the economy of Tanzania continued to expand during the

“The board has recommended a final dividend of Tzs 60 per share (2012: Tzs 55), amounting to a total final dividend of Tzs 3.8 billion”

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Chairperson's Statement

period under review and the macro-economic climate was generally favourable, the additional market demand created was captured by importers rather than by the local cement manufacturers.

As a result, sales volumes, as well as the selling prices achieved, were lower than expected and both sales volumes and total sales revenue were lower than those achieved over the same period in 2012.

I would like to commend the management and staff of TCCL for their positive achievements during the year and urge them to keep up the great performance.

A major milestone achieved during the year was the acquisition of an additional 40% shareholding in CDEAL, giving the company full ownership of the sales and distribution arm of the business. The acquisition will ensure improved integration and strategic alignment with TCCL.

Strategic changes in the sales and marketing of TCCL's products have been effected following the takeover of CDEAL.

Operational overview

Improving operational efficiencies and containing production costs were a major focus in 2013 and significant successes were achieved, particularly during the second half of the year. In addition, the company secured the supply of coal from local sources and entered into negotiations for a long-term purchase agreement for clinker, both of which will add to the cost containment efforts.

The kiln performed well during the year and experienced no major mechanical problems, with the only stoppages being for planned maintenance. Clinker production volumes increased by 1.7% compared to the previous year.

The company's operating profit for the year decreased by 5.1%, whilst net profit after tax decreased by 5.4%.

Future Outlook

In August 2013, TCCL celebrated the start of the construction phase of the second kiln line with a ground-breaking ceremony.

The new kiln will enhance the company's competitive advantage. Once completed, the kiln will increase the company's clinker production capacity by 750,000 tons per annum, more than doubling its current clinker capacity.

With commissioning expected during the second half of 2015, the additional capacity will help the company to meet the growing demand for cement both in Tanzania and in markets beyond the country's borders.

We look forward to the future value the company will derive from this substantial investment.

Dividends

The Board has recommended a final dividend of Tzs 60 per share (2012: Tzs 55), amounting to a total final dividend of Tzs 3.8 billion. This brings the accumulated dividend for the year to Tzs 110 per share (2012: Tzs 100), a total of Tzs 7 billion for the full year.

Closure of Share Register


The register of members will close on 25 April 2014. The last day for trading cum-dividend will be 22 April 2014 and the final dividend will be paid on or about 31 May 2014.

Conclusion

After joining the TCCL family in August 2012 to oversee the construction of a second kiln line, Mr Reinhardt Swart was appointed as the Managing Director of Tanga Cement Company Limited in July 2013. I would like to use this opportunity to thank Mr Swart for his contribution to promoting the success of the company within a short period. We look forward to TCCL reaching new heights under his leadership.

On behalf of the Board of Directors, I would like to thank the employees of Tanga Cement Company Limited for the passion they have for the company and for their commitment to ensuring its continued prosperity.

We look forward to celebrating many successes together in 2014.



Lawrence Masha
Chairman of the Board



TAARIFA YA MWAKA **2013**

Waraka wa Mwenyekiti

Utangulizi

Katika kipindi cha mwaka 2013 Kampuni ya Tanga Cement ilisherehekea baadhi malengo muhimu na mafanikio katika utekelezaji wa mkakati wake wa kuishi kufuatana na chapa yake na ahadi yake ya kuwa "Jivunio la Taifa". Tunayo fahari kwa mchango wetu katika maendeleo ya Tanzania na muhimu zaidi kwa maisha ya watu wengi ambayo tunaweza kuyagusa na kuyaboresha kutokana na shughuli zetu za biashara.

Maelezo ya uchumi

Tanzania imeendelea kudumisha uchumi mkubwa kiujumla, ambapo imekuwa ndio sababu ya msingi ya ukuaji chanya wa kiuchumi. Mahitaji ya bidhaa za saruji, yote kwa ndani na kwa masoko ya nje, yamebaki kuwa juu. Pamoja na kuongezeka kwa saruji toka nje kwa bei ya chini na mabadiliko katika mazingira ya ushindani, bidhaa zetu zenye ubora wa hali ya juu mahusiano yakuridhisha kati yetu na wateja vimetuwzesha kustawi katika mazingira ya ushindani mkali. Tutaendelea kuongeza ubora wa bidhaa zetu na huduma tunazotoa ili kudumisha hisa yetu katika soko na utendaji kimauzo.

Mfumuko wa bei ulishuka kutoka mwaka jana lakini umebaki juu kwa asilimia tano nukta sita (5.6%) (2012: 12.1%), wakati kiwango cha kubadilisha fedha za kigeni kilisaidia kwa kuleta utulivu kiasi katika gharama za klinka na vifaa vingine kutoka nje.

Historia ya mauzo na utendaji wa usambazaji

Mwaka uliopita ulikuwa na changamoto ya hali ya biashara katika soko la ndani. Hii ilikuwa hasa kutokana na kuongezeka kwa ushindani matokeo ambayo yaliletwa na kuongezeka kwa uagizaji wa saruji kutoka nje. Ingawa uchumi wa Tanzania uliendelea kupanuka katika kipindi hicho na hali ya uchumi kwa ujumla ilikuwa ya kuridhisha, ziada ya mahitaji ya soko iliyotengenezwa ilichukuliwa na waagizaji wa saruji toka nje badala ya wazalishaji wa ndani.

Matokeo yake, kiasi cha mauzo, na bei ya kuuzia bidhaa iliyopatikana, ilikuwa chini kuliko iliyotarajiwa pamoja na mauzo na mapato ya mauzo ya jumla yalikuwa chini zaidi kuliko yale yaliyopatikana katika kipindi kama hicho mwaka 2012.

Napenda kuongeza uongozi na wafanyakazi wa TCCL kwa mafanikio chanya katika kipindi cha mwaka na kuwahimiza kuweka juhudi kubwa ya utendaji.

Hatua muhimu ya mafanikio iliyopatika katika kipindi cha mwaka ilikuwa ni ununuzi wa hisa za ziada ya asilimia arobaini (40%) kutoka Kampuni ya usambazaji, (CDEAL), na kuipa Kampuni umiliki wa asilimia mia moja (100%) ya biashara yake ya mauzo na usambazaji. Hii itaifanya Kampuni ya Tanga Cement kuweka sawa shughuli zake za uzalishaji na mauzo ili kufikisha thamani kubwa kwa Kampuni na wateja wake

Mabadiliko ya kimkakati katika mauzo na masoko ya bidhaa za TCCL yameonesha mabadiliko kufuatia uchukuaji wa CDEAL.

Muhtasari wa kiutendaji

Kubonesha ufanisi wa kazi na kudhibiti gharama za uzalishaji yalikuwa malengo makuu mwaka 2013 na mafanikio makubwa yalipatikana, hasa wakati wa nusu ya pili ya mwaka. Aidha, Kampuni ilipata ugavi wa mkaa ya mawe kutoka vyanzo vya ndani na iliingia katika

mazungumzo ya mkataba wa muda mrefu wa ununuzi wa klinka, yote mawili yataongeza juhudi za kudhibiti gharama.

Tanuru lilifanya vizuri katika kipindi cha mwaka na hakukuwa na matatizo ya mitambo, na kusimama kulikuwa kwaajili ya matengenezo yaliyopangwa tu. Kiasi cha uzalishaji wa klinka kiliongezeka kwa asilimia moja nukta saba (1.7%) ikilinganishwa na mwaka uliopita.

Faida ya uendeshaji ya Kampuni kwa mwaka ilipungua kwa asilimia tano nukta moja (5.1%), wakati faida baada ya kodi ilipungua kwa asilimia tano nukta nne (5.4%).

Matarajio ya baadaye

Mwezi Agosti mwaka 2013, TCCL ilisherehekea kuanza kwa awamu ya ujenzi wa tanuru la pili kwa sherehe ya uchimbaji wa ardhi mahali litakapojengwa tanuru hilo.

Tanuru mpya litaongeza uwezo wa kampuni kiushindani. Mara baada ya kukamilika, tanuru litaongezea Kampuni uwezo wa uzalishaji wa klinka kwa tani 750,000 kwa mwaka, zaidi ya mara mbili ya uwezo wake wa sasa wa kuzalisha klinka.

Kwa makabidhiano ya mtambo huu unaotarajiwa kuanza kipindi cha nusu ya pili ya mwaka 2015, uwezo wa ziada unaongezwa utaisaidia Kampuni kukidhi ongezeko la mahitaji ya saruji nchini Tanzania na katika masoko ya nje ya mipaka ya nchi.

Tunatarajia Kampuni itaongeza thamani kutokana na uwekezaji huu muhimu.

Gawio

Bodi imependekea gawio la TSh 60 kwa kila hisa (2012: Tzs 55), ikipelekea kiasi cha jumla kwa gawio la mwisho la shilingi za kitanzania bilioni 3.8 (TSh 3.8 bilioni). Hii inaleta gawio la jumla kwa mwaka la shilingi za kitanzania mia moja na kumi (TSh 110) kwa hisa (2012: Sh 100), jumla ya shilingi bilioni saba (TSh 7 bilioni) kwa mwaka mzima.

Kufungwa kwa Rejesta ya Hisa

Rejesta ya wanachama itafungwa tarehe 25 Aprili 2014. Siku ya mwisho kwa biashara pamoja na gawio ni tarehe 22 Aprili 2014 na gawio la mwisho litalipwa tarehe 31 Mei 2014.

Hitimisho

Baada ya kujiunga na familia ya TCCL mwezi Agosti 2012 kwaajili ya kusimamia ujenzi wa tanuru ya pili, Bw Reinhardt Swart aliteuliwa kuwa Mkurugenzi Mtendaji wa Kampuni ya Tanga Cement mwezi Julai 2013. Napenda kutumia fursa hii kumshukuru Bw Swart kwa mchango wake kwenye mafanikio ya Kampuni ndani ya kipindi cha muda mfupi. Tunatarajia mafanikio makubwa kwa TCCL kufikiwa chini ya uongozi wake.

Kwa niaba ya Bodi ya Wakurugenzi, napenda kuwashukuru wafanyakazi wa Kampuni ya Tanga Cement kwa shauku waliyo nayo kwa Kampuni na kwa dhamira yao ya kuhakikisha inaendelea kustawi.

Tunatarajia kusherehekea mafanikio mengi pamoja katika mwaka 2014.



Lawrence Masha
Mwenyekiti wa Bodi

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Managing Director's Report



Sales

During 2013, the Tanzanian economy grew by over 7%, stimulating further economic development within the country. As a reputable company trading under its brand name, Simba Cement, Tanga Cement Company Limited was well positioned to make the most of opportunities in the market.

Cement demand in neighbouring countries also remained at relatively high levels and the group extended its export footprint from Rwanda and Burundi to include Malawi and the Democratic Republic of Congo.

A significant milestone achieved during the year was the acquisition of an additional 40% stake in Cement Distributors (EA) Limited (CDEAL), giving the group 100% ownership of its sales and distribution business. This will enable Tanga Cement Company Limited to more closely align its manufacturing operations and sales functions to deliver greater value to the group and its customers.

Operations

The safety of our employees and other stakeholders remain the company's highest priority. I'm pleased that in 2013 we recorded an excellent safety performance, with a total recordable injury frequency rate (TRIFR) of 1.26. This is a slight improvement from the 1.34 recorded in 2012 and well below the company's milestone rate of 8. We will continue with our safety improvement efforts towards our ultimate goal of zero injuries.

A major focus area for the company in 2013 was the improvement of operational efficiencies and we have seen some significant progress in this area. This will remain a focus going forward, to ensure that we continue to offer our customers the best quality products and services.

“Tanga Cement Company will continue to live up to its motto “The Pride of the Nation” by providing its customers with superior quality products and services.”

ANNUAL REPORT **2013**

Managing Director's Report

One of the most exciting events during the year was the ground-breaking ceremony held in August 2013 to celebrate the start of the construction phase of a second kiln line for the company. This is the biggest expansion project in the company's history. Once completed, the new kiln line will more than double the company's clinker production capacity, enabling Tanga Cement Company Limited to produce enough clinker to satisfy local demand. This will significantly reduce the company's reliance on imported clinker and will enhance operational efficiencies.

Giving back to the community

Tanga Cement Company Limited is committed to the development of Tanzania and its people. For this reason, we continue to invest in communities through our Corporate Social Investment programme. We pride ourselves on being responsible corporate citizens and therefore strive to uplift Tanzanian communities as well as developing social infrastructure.

Our commitment to social development upholds the principles of enhancing the lives which the company touches, either directly or indirectly. This is done to ensure long-term sustainability of the communities around the operation and beyond.

In 2013 we continued to assist these communities, focussing on issues of health, education, community development and the environment. During the year, the company spent a total of Tzs 324m on various community projects in the country.

Future Prospects

I am positive about the future prospects of Tanzania and Tanga Cement Company Limited. The market is expected to continue with its positive growth, not only in Tanzania, but throughout the East African region.

Tanga Cement Company Limited will continue to live up to its motto "The Pride of the Nation" by providing its customers with superior quality products and services.

I was appointed as the Managing Director of Tanga Cement Company Limited in August 2013 and I have been impressed with the quality of the company's management team and its workforce. I would like to use this opportunity to thank the Tanga Cement Company family for their hard work during the year and the significant role they play in the success of our business. Their contributions are greatly appreciated.

We look forward to a positive 2014, taking our company and brand from strength to strength.



Reinhardt Swart
Managing Director



TARIFA YA MWAKA **2013**

Taarifa ya Mkurugenzi Mtendaji

Mauzo

Kipindi cha mwaka 2013, uchumi wa Tanzania ulikua kwa zaidi ya asilimia saba (7%), ukachochea zaidi maendeleo ya kiuchumi ndani ya nchi. Kama Kampuni inayoaminika kibiashara chini ya chapa yake saruji ya simba, Kampuni ya Tanga Cement ilikuwa katika nafasi nzuri ya kutumia fursa zote katika soko.

Mahitaji ya saruji katika nchi jirani pia yalibaki katika ngazi ya juu na Kampuni (kundi) ilipanua wigo wake kutoka Rwanda na Burundi na kujumuisha Malawi na Jamhuri ya Kidemokrasia ya Congo.

Hatua muhimu ya mafanikio iliyopatikana katika kipindi cha mwaka ilikuwa ni ununuzi wa hisa za ziada ya asilimia arobaini (40%) kutoka Kampuni ya usambazaji, (CDEAL), na kuipa Kampuni umiliki wa asilimia mia moja (100%) ya biashara yake ya mauzo na usambazaji. Hii itaiwezesha Kampuni ya Tanga Cement kuweka sawa shughuli zake za uzalishaji na mauzo ili kufikisha thamani kubwa kwa Kampuni na wateja wake

Uendeshaji

Usalama wa wafanyakazi wetu na wadau wengine unabaki kuwa kipaumbele cha juu kwa Kampuni. Nimefurahi kwamba kwa mwaka 2013 tumeweka kumbukumbu ya utendaji bora kiusalama, tukiwa na jumla ya kiwango cha chini cha madhara (TRIFR) 1.26 katika rekodi zetu. Hili ni boresho kutoka 1.34 kiwango kilicho rekodiwa mwaka 2012 na pia chini ya kiwango cha Kampuni cha hatua ya 8. Tutaendelea na juhudi zetu za kuboresha usalama kuelekea lengo letu muhimu la kufanya kazi bila majeraha.

Eneo kubwa lililopewa kipaumbele na Kampuni kwa mwaka 2013 lilikuwa uboreshaji na ufanisi wa kazi na tumeona baadhi ya mafanikio makubwa katika eneo hili. Hili litabakia kuwa lengo la sasa na baadae, kuhakikisha kwamba tunaendelea kuwapatia wateja wetu bidhaa na huduma bora.

Moja ya matukio ya kusisimua zaidi katika kipindi cha mwaka huu ilikuwa sherehe iliyofanyika mwezi Agosti 2013 kusherehekea mwanzo wa ujenzi wa tanuru la pili la Kampuni. Huu ni mradi mkubwa wa upanuzi katika historia ya Kampuni. Mara litakapokamilika, tanuru jipya litaiongezea Kampuni uwezo wa uzalishaji wa klinika mara mbili zaidi ya uwezo wa tanuru lililopo sasa, hivyo kuiwezesha Kampuni ya Tanga Cement kuzalisha klinika ya kutosha kukidhi mahitaji ya ndani ya nchi, na kwa kiasi kikubwa kuipunguzia Kampuni utegemezi wa klinika kutoka nje na kuongeza ufanisi wa kazi.

Kusaidia Jamii

Kampuni ya Tanga Cement inajitolea kwa maendeleo ya Tanzania na watu wake. Kwa kupitia programu yetu ya Uwekezaji kwa Jamii (CSI) tunaendelea kuwekeza katika jamii. Tunajivuna kwa kuwa Kampuni inayo wajibika, hivyo tunajitahidi kuinua jamii ya Tanzania pamoja na kuendeleza miundombinu ya kijamii.

Wajibu wetu kwa maendeleo ya jamii unazingatia kanuni za kuboresha maisha ambayo Kampuni inayagusa, iwe moja kwa moja au kwa namna nyingine. Hii inafanywa ili kuhakikisha maendeleo ya muda mrefu kwa jamii inayozunguka eneo letu la kazi na kwingineko. Mwaka 2013 tuliendelea kusaidia jamii katika maeneo ya jirani na sehemu yetu ya kazi na zaidi ya hapo tukilenga katika masuala ya afya, elimu, maendeleo ya jamii na mazingira. Katika kipindi cha mwaka huu, Kampuni ilitumia shilingi za Kitanzania zaidi ya milioni mia tatu ishirini na nne (Tsh324m) katika miradi mbalimbali ya jamii nchini.

Matarajio ya Baadaye

Nina mtazamo chanya juu ya matarajio ya baadaye ya Tanzania na Kampuni ya Tanga Cement. Soko la saruji linatarajiwa kuendelea na ukuaji chanya, sio tu kwa Tanzania, bali hata katika kanda ya Afrika Mashariki.

Kampuni ya Tanga Cement itaendelea nakauli mbiu yake ya "Jivunio la Taifa" (Pride of the Nation) na kuwapatia wateja wake bidhaa na huduma zenye ubora wa hali ya juu.

Niliteuliwa kuwa Mkurugenzi Mtendaji wa Kampuni ya Tanga Cement mwezi Agosti 2013 na nimeridhishwa na ubora wa timu ya uongozi wa Kampuni na wafanyakazi wake. Napenda kutumia fursa hii kuwashukuru familia ya Tanga Cement kwa kufanya kazi kwa juhudi katika kipindi cha mwaka huu na mchango wao muhimu kwa mafanikio ya biashara yetu. Michango yao inathaminiwa sana.

Tuna mtazamo chanya kwa mwaka 2014, kuiwezesha Kampuni na bidhaa zetu kuwa imara zaidi na zaidi.



Reinhardt Swart
Mkurugenzi Mtendaji



ANNUAL REPORT **2013**

Corporate Social Investment

Tanga Cement Company Limited (TCCL) has a clearly defined Corporate Social Responsibility (CSR) Mission and Policy Statement and has been supporting communities throughout Tanzania for many years, with the main focus being Education, Health, Community Development and Environment. The Company works closely with local authorities to identify communities that need help and always tries to assist, when resources are available. As a Company, TCCL understands the importance of the communities within which it operates and is committed to applying best practices in caring for the local Tanzanian communities. As stated by the policy that governs CSR, TCCL has been setting aside a 1% of its profit for the Tanzanian community.

In 2013, Tanga Cement Company Limited spent over Tzs 356 million on CSI projects in the country. A total of 16 projects were initiated during the year and while 14 were finished and handed-over to the respective communities, the remaining two are on-going and are expected to be finished during 2014. Following is the summary of the amount of money spent per focus area and projects.

- **Education**

Tzs 88.4 million, 27% of total budget for all CSR projects, was spent in education by building classrooms, toilets and donating desks in different areas of the country like, Arusha, Mtwara and Tanga. TCCL has been doing this to support the Government of United Republic of Tanzania's initiative of making sure every child gets proper education in a conducive environment with good infrastructure.

- **Health**

Tzs 65 million, 20% of the total budget for all CSI projects, was spent on various projects. Among these, TCCL paid cash to refer a patient for further treatment in India. The Company also supported breast and cervical cancer awareness for Tanga District Authority during World International Women's day. In addition, furniture was donated to the Kichangani village dispensary, which was constructed by the company in 2012. There is one on-going health project in Handeni district hospital in Tanga region that is expected to be accomplished in 2014.

- **Community Development**

Tzs 147 million, 45% of the total 2013 CSI budget, was spent on projects, including the renovation of Police Camp houses for Tanga Regional Police authority and purchase of tyres for police cars. This was done as part of TCCL's contribution to the Tanga Business Fund Against Crime. The construction of staff houses for Maweni prison and support for various other community development activities were also carried out in 2013.

- **The Environment**

In 2013, the Company spent Tzs 23.98 million, 7% of the 2013 CSI budget, at Saruji Primary School, upgrading environmental conditions which were in a very bad state. TCCL decided to support this school because it is in one of the communities close to the plant. This is an ongoing project and will be completed in 2014.



TARIFA YA MWAKA 2013

Uwekezaji wa Kijamii wa Kampuni

Kampuni ya Tanga Cement ina lengo na sera inayojieleza vizuri ya kuisaidia jamii (CSR) na imekuwa ikisaidia jamii za Tanzania nchi nzima kwa miaka mingi, lengo likibaki katika Elimu, Afya, Maendeleo ya Jamii na Mazingira. Kampuni hufanyakazi kwa karibu na mamlaka za chini katika kutambua jamii ambazo zinahitaji msaada na daima hujaribu kusaidia wakati rasilimali zikiwepo za kutosha. Kama Kampuni, TCCL inafahamu umuhimu wa jamii iliyopo mahali inapofanyia kazi, na ndio maana inajitolea kwa kutumia njia bora katika kuijali jamii ya Tanzania. Kama ilivyoelezwa na sera ambazo zinaiongoza CSR, TCCL hutenga asilimia moja (1%) ya faida yake kwaajili ya jamii hii.

Mwaka 2013, Kampuni ya Tanga Cement ilitumia zaidi ya shilingi za kitanzania milioni mia tatu hamsini na sita (Sh.356m) kwa ajili ya miradi ya uwekezaji katika jamii (CSI) nchini. Jumla ya miradi kumi na sita ilianzishwa na ambapo kumi na nne ilimalizika na kukabidhiwa kwa jamii husika, miradi miwili iliyobaki inaendelea na inatarajiwa kumalizika mwaka 2014. Ufuatao ni muhtasari wa kiasi cha fedha kilichotumika kwa eneo lengwa na mradi husika.

- **Elimu**

Shilingi za kitanzania milioni themanini na nane nukta nne (Sh88.4m), asilimia ishirini na saba (27%) ya bajeti yote ya CSI zilitumika katika eneo la elimu kwa kujenga madarasa, vyoo na kuchangia madawati katika maeneo mbalimbali nchini kama, Arusha, Mtwara na Tanga. TCCL imekuwa ikifanya hivi kuiunga mkono Serikali ya Jamhuri ya Muungano wa Tanzania katika mpango wake wa kuhakikisha kila mtoto anapata elimu stahiki katika mazingira yanayofaa na miundombinu bora.

- **Afya**

Shilingi za kitanzania milioni sitini na tano (Sh65m), asilimia ishirini (20%) ya bajeti yote ya CSI zilitumika kwa ajili ya miradi mbalimbali. Miongoni mwa hiyo, TCCL ililipa fedha kwaajili ya mgonjwa aliyepeleka India kwa matibabu zaidi. Kampuni

pia ilisaidia kampeni ya kutoa elimu ya kansa ya kizazi iliyofanywa na Mamlaka ya Wilaya ya Tanga wakati wa siku ya Kimataifa ya Wanawake ulimwenguni. Kwa kuongezea, Kampuni iliota msaada wa samani kwa ajili ya zahanati ya kijiji cha Kichangani, zahanati ambayo ilijengwa na Kampuni mwaka 2012. Kuna mradi mmoja wa afya unaoendelea katika hospitali ya wilaya ya Handeni mkoani Tanga ambao unatarajiwa kukamilika mwaka 2014.

- **Maendeleo ya Jamii**

Shilingi za Kitanzania milioni mia moja arobaini na saba (Sh147m), ambayo ni asilimia arobaini na tano (45%) ya bajeti yote ya CSI ya mwaka 2013, ilitumika kwaajili ya miradi mbali mbali, ikijumuisha ukarabati wa nyumba za kambi ya Polisi wa mkoa wa Tanga na ununuzi wa matairi ya magari ya polisi. Hii ilifanyika kama sehemu ya mchango wa TCCL kwa mfuko wa biashara wa dhidi ya uhalifu mkoa wa Tanga (Tanga Regional Business Fund Against Crime). Ujenzi wa nyumba za wafanyakazi wa gereza la Maweni, saruji na msaada kwa ajili ya shughuli mbalimbali za maendeleo ya jamii pia vilifanyika mwaka 2013.

- **Mazingira**

Mwaka 2013, Kampuni ilitumia shilingi za Kitanzania milioni ishirini na tatu nukta tisa nane (Sh23.98m), asilimia saba (7%) ya bajeti ya CSI, katika shule ya msingi Saruji kwa ajili ya uboreshaji wa mazingira ambayo yalikuwa kwenye hali mbaya, TCCL iliamua kuisaidia shule hii ikiwa ni moja ya jamii ambazo ziko jirani sana na kiwanda. Huu pia ni mradi unaoendelea na unatarajiwa kukamilika mwaka 2014.



ANNUAL REPORT **2013**

Safety and Environment Usalama na Mazingira

- Our safety performance in 2013 achieved motivating results, with over 1.3million injury free hours, and a Total Recordable Injury Frequency Rate of 1.2 against a milestone of 8, supporting our objective of zero harm at the workplace. This has been achieved by involvement and active participation by all staff and contractors across the entire chain of our process. It is a positive goal that we intend to maintain with passion, as outlined in our OHS Policy across the page
- Similarly our environmental performance surpassed the set milestones and targets, achieving emission levels of below 50mg/Nm³ average month by month throughout the year. Validity of our ISO 14001 certification, held since 2004, was maintained, with internal environmental audits as well as external surveillance audits
- Our campaigns for the protection of biodiversity were continued, through maintenance of teak and eucalyptus farms in which the trees are thriving well, as per photo.

Safety and environmental initiatives compliment and motivate our policy commitment that **"WE CARE FOR THE WELLBEING OF ALL THE LIVES THAT WE TOUCH"**

- Mwaka 2013 ulikuwa na mafanikio mazuri ki-usalama, kwani tulifikisha masaa ya kazi milioni moja na laki tatu bila ajali kiwandani. Kwa vigezo vya upimaji usalama ilikuwa ni sawa na alama 1.2 kulinganisha na lengo la chini la alama 8, ikiwa pia ni mwendelezo mzuri wa dhana yetu ya kutokuwepo na madhara.
- Mafanikio haya yametokana na ushirikishwaji wa wafanyakazi wote na makandarasi katika mlolongo mzima wa mchakato wetu wa uzalishaji. Ni lengo chanya ambalo tunadhamiria kulidumisha kwa shauku, kama ilivyoainishwa katika Sera ya kampuni ya OHS iliyoambatanishwa na taarifa hii.
- Vile vile kwa upande wa mazingira tulivuka malengo yaliyowekwa, kufikia chini ya wastani wa 50mg/Nm³ ya uchujaji vumbi kila mwezi kwa mwaka mzima.
- Kampeni yetu kwa ajili ya kuvihami viumbe hai iliendelea, kwa njia ya utunzaji mazingira na uendelezaji mashamba ya miti ya mitiki na mikaratusi ambayo imeendelea na ukuaji mzuri kama inavyooneka kwenye picha.

Mipango ya utunzaji mazingira na kujali usalama inaendana na sera yetu ya **"KUJALI USTAWI WA MAISHA YOTE TUNAYOYAGUSA"**



ANNUAL REPORT **2013**

Environmental Policy

Our actions today mould the future

Policy

Tanga Cement Company Limited recognises the universal right of present and future generations to an environment that is not harmful to human well-being. Our commitment is to continuously improve our environmental performance and to provide a positive contribution to sustainable development. We conduct our operations in such a way that we minimise any potential adverse effects of our operations-processes and products on the community, the environment and ourselves.

Environmental pillars and principles

There are four main pillars of our environmental policy to which we have assigned principles to guide our progress.

Management systems

We commit ourselves to environmental management systems for our cement operations that comply with the requirements of ISO 14001

- Document, implement, and maintain our ISO 14001 management systems.
- Achieve continuous improvement through the process of risk management, the execution of performance assessments, benchmarking and the implementation of improved programs.
- Management will periodically review progress on environmental objectives, targets and programs.
- A policy goal is legal compliance with applicable environmental legislation and defined requirements.
- Communicate this policy to employees and other stake-holders.

Resource utilisation

We promote eco-efficiency, conservation of non-renewable resources and recycling of secondary materials.

- Pursue the optimal utilisation of resources, the reduction of waste and use of fossil fuels.

Environmental impacts

We measure performance, continuously improve and promote best practice in our industry.

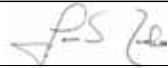
- We commit ourselves to the prevention of pollution.
- Management will provide the necessary resources to execute this policy
- Continuously review environmental impacts in order to minimise environmental degradation.
- Use our emergency preparedness program to identify and implement risk mitigation measures.
- Rehabilitate our mining sites to a self-sustainable or positively usable landform on final closure of operations.
- We will be active in promoting the conservation of species and ecosystems in the interests of protecting our country's rich biodiversity.

Stakeholder relations

We engage our stakeholders and report to them on compliance, performance and progress.

- Participate in environmentally related dialogue with stake-holders, provide appropriate environmental training for all employees and contractors, and publish a report on Sustainable Development.

Our Environmental Policy is viewed as a dynamic document and is available to all employees, regulatory authorities and the community.

Issued by		Revision Number	07
	Board Chairman Lau Masha	Date	October 2013



ANNUAL REPORT 2013

Quality | Ubora

“ Simba’s high quality cement products have made a significant contribution to various infrastructural developments in East African countries for quite a long time now. ”

SIMBA CEMENT PRODUCTS

Simba’s high quality cement products have made a significant contribution to various infrastructural developments in East African countries for a long time now.

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

Simba cement is produced through a process that is carefully designed and controlled by a team of dedicated professionals. The performance of our cement is constantly monitored to maintain the highest standards of quality, consistence and strength.

This is 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 is produced 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

We produce two types of cements which are uniquely developed for different applications:

SIMBA BORA

SIMBA BORA (CEM II/B-L 42,5 N) is Portland composite cement with limestone additive, it is a high strength class cement and can be used in constructions such as:

- Structures, structural and nonstructural cast constructions
- Reinforced concrete for: foundations, columns, beams, slabs, girdles, bearing walls etc.
- Precast elements made of normal and reinforced concrete- Concrete used for repairs in civil and industrial works, fillings, coating etc of reinforced and non-reinforced elements
- Special floor screeds and mortars

SIMBA IMARA

SIMBA IMARA (CEM IV/B 32,5 R) is Portland composite cement with Pozzolan additive. It is an ordinary strength and an all purpose class cement and can be used in 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
- Elements made of reinforced concrete, in environments with low carbon aggressiveness and sulphate activity
- Mortars for filling the joints between precast elements
- Mortars for special flooring, etc.

BIDHAA ZA SARUJI YA SIMBA

Bidhaa za Saruji ya Simba zenye ubora wa hali ya juu zimetoa mchango muhimu kwa maendeleo ya miundo mbinu kwa nchi za Afrika Mashariki kwa muda mrefu sasa.

Saruji zetu hutumika katika ujenzi wa nyumba, shule, barabara, madaraja, mabwawa, na vifaa vingine muhimu kwa ajili ya jamii.

Saruji za Simba huzalishwa kupitia mchakato ulioundwa kwa umakini zaidi na kudhibitiwa na timu ya wataalamu makini. Utendaji wa saruji zetu si wa kubadilika badilika na unafuatiliwa ili kudumisha viwango vya juu vya ubora, uthabiti na nguvu.

Hii ilipatikana kutokana na mafanikio ya uthabiti na upitiaji wa mara kwa mara kwaajili ya kuboresha mchakato wa uzalishaji ili kuhakikisha ufanisi bora, na uwezekano wa chini wa kuweza kutokea athari kwenye ubora wa bidhaa na mazingira.

Bidhaa

Saruji ya Simba huzalishwa kwa mujibu wa viwango vya Saruji vya Tanzania TZS 721-1:2002 ambavyo ni sawa na viwango vya Ulaya EN 197-1:2000 na viwango vya Afrika Mashariki EAS 18-1:2001.

Tunazalisha aina mbili za Saruji ambazo zinatengenezwa kipekee kwa matumizi tofauti.

SIMBA BORA

- SIMBA BORA (CEM II / BL 42,5 N) ni Saruji yenye mchanganyiko wa Portland na viungo vya chokaa, ni Saruji ya kiwango cha hali ya juu cha uimara na inaweza kutumika katika ujenzi kama vile:
- Miundo, miundo ya kumimina na ujenzi wa majengo yasiyo ya kumimina.
- Zege lililoimarishwa kwaajili ya misingi, nguzo, mihimili, mabamba, chanja, mizingo au mikanda, kuta zinazobeba jengo n.k
- Elementi zilizoundwa mapema kwa kutumia zege la kawaida na zege lililoimarishwa – zege linalotumiwa kwaajili ya ukarabati katika kazi za ujenzi na za viwandani, kujazia, kupiga lipu n.k.
- Fito na Mota maalum kwaajili ya sakafu.

SIMBA IMARA

SIMBA Imara (CEM IV / B 32,5 R) ni Saruji yenye mchanganyiko wa Portland yenye viungo vya Pozolana. Ni Saruji ya daraja la uimara wa kawaida kwa matumizi yote na inaweza kutumiwa kwa ujenzi kama vile:

- Miundo na miundo isiyo ya kumimina, misingi, nguzo, mihimili, kuta, chanja, mabamba ya vijia, kingo za barabara, vitofali vya kupachika vya vijia, matofali n.k.
- Elementi zilizotengenezwa kwa kutumia zege la kawaida na zege lililoimarishwa kwaajili ya mazingira yenye athari za chini au za wastani.
- Elementi zilizotengenezwa kwa zege lililoimarishwa katika mazingira yenye kiwango kidogo cha athari za kaboni na utendaji wa salfeti.
- Mota kwaajili ya kujazia mianya ya viungo kati ya zege lililomiminwa
- Mota kwaajili ya sakafu maalum.

ANNUAL REPORT **2013**

Quality Policy

Striving for Excellence

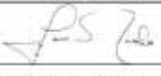
Policy

The core business of Tanga Cement Company Limited 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 Company Limited.

Issued by		Revision Number	05
	Board Chairman Lau Masha	Date	October 2013



ANNUAL REPORT 2013

Value Added Statement

Waraka wa Ongezeko la Thamani

for the year ended 31 December 2013

	2013 Tzs '000'	%	2012 Tzs '000'	%
Value Added				
Gross Turnover	182,784,033		195,603,983	
Other Income	88,327		79,806	
Other operating expenditure	(112,228,700)		(123,319,497)	
	70,643,660	100	72,364,292	100
Revenue				
To Employees	18,807,940	26.6	15,747,234	21.8
To Government-Corporate Income Tax	13,588,984	19.2	16,772,541	23.2
To Shareholders-Dividend	6,685,459	9.5	5,857,736	8.1
To Lending Institutions	12,207	0.02	211,483	0.3
To Expansion and Growth				
- Depreciation	5,778,295	8.2	5,133,902	7.1
- Retained Income	25,770,775	36.5	28,641,396	39.6
	70,643,660	100	72,364,292	100

Kwa mwaka ulioisha tarehe 31 Desemba 2013

	2013 Tzs '000'	%	2012 Tzs '000'	%
Thamani iliyoongezwa				
Pato Ghafi	182,784,033		195,603,983	
Mapato Mengineyo	88,327		79,806	
Matumizi mengine ya uendeshaji	(112,228,700)		(123,319,497)	
	70,643,660	100	72,364,292	100
Mapato				
Kwa Wafanyakazi	18,807,940	26.6	15,747,234	21.8
Kwa Serikali - Kodi ya mapato ya Kampuni	13,588,984	19.2	16,772,541	23.2
Gawio kwa Wanahisa	6,685,459	9.5	5,857,736	8.1
Kwa Taasisi za Ukopeshaji	12,207	0.02	211,483	0.3
kwa Upanuzi na Kukua				
- Uchakavu	5,778,295	8.2	5,133,902	7.1
- Mapato yaliyobakizwa	25,770,775	36.5	28,641,396	39.6
	70,643,660	100	72,364,292	100

ANNUAL REPORT **2013**
**General
Information**



**REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

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

COMPANY SECRETARY

Mr David Lee
Tanga Cement Company Limited
Pongwe Factory Area
P O Box 5053
Tanga

AUDITORS

Ernst & Young
Utalii House, 36 Laibon Road, Oysterbay
P O Box 2475
Dar es Salaam

LEGAL ADVISORS

Rex Attorneys
Rex House, 145 Magore Street, Upanga
P O Box 7495
Dar es Salaam

TAX ADVISORS

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

MAIN BANKERS

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

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Board of Directors

1 L Masha - Chairman (Non-executive)
Mwenyekiti (Si-Mtendaji)

2 R Swart - Managing Director
Mkurugenzi Mtendaji

3 D Lee - Company Secretary
Katibu wa Kampuni



TAARIFA YA MWAKA **2013**

Bodi ya Wakurugenzi

4 T Wagner - (Non-Executive)
(Si Mtendaji)

5 M Mfugale - (Non-Executive)
(Si Mtendaji)

6 Dr S Olivier- (Non-Executive)
(Si Mtendaji)

8

9

3

7 L Serfontein - (Non-Executive)
(Si Mtendaji)

8 K Omar - (Non-Executive)
(Si Mtendaji)

9 C Kariwa - (Non-Executive)
(Si Mtendaji)

ANNUAL REPORT **2013**

Report of the Directors

“... committed to the principles of effective corporate governance and the Board is of the opinion that the Group currently complies with the principles of good Corporate Governance.”

The Directors present their report and the audited consolidated financial statements for the financial year ended 31 December 2013 which disclose the state of affairs of Tanga Cement Company Limited (the Company) and its subsidiary, Cement Distributors (EA) Limited (together, the Group).

1. INCORPORATION

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

2. GROUP'S VISION

To be Eastern Africa's favourite 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.

4. PRINCIPAL ACTIVITIES

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

5. COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Company at the date of this report and who have served since January 2013 are:

Name	Position	Age	Nationality
Mr L Masha (Appointed 17 May 2013)	Chairperson	43	Tanzanian
Mr E Westerberg (Resigned 11 July 2013)	Managing Director	61	Swedish
Mr R Swart (Appointed 11 July 2013)	Managing Director	40	South African
Mr D Matshoba (Resigned 1 November 2013)	Member	48	South African
Dr S Olivier	Member	54	South African
Mr C Kariwa	Member	53	Tanzanian
Mr K Omar	Member	49	Tanzanian
Ms K Simba (Resigned 17 May 2013)	Member	68	Tanzanian
Prof S Wangwe (Resigned 17 May 2013)	Director	65	Tanzanian
Mr L Serfontein (Appointed 1 November 2013)	Director	39	South African
Mr T Wagner (Appointed 17 May 2013)	Director	66	South African
Ms M Mfugale (Appointed 17 May 2013)	Director	39	Tanzanian

With the exception of Mr R Swart, the Managing Director, all Directors are non-executive.

The Company Secretary during the year ended 31 December 2013 was Mr D Lee British, 56 years.

The Board of Directors met four times during the year.

6. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

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

The Board of Directors

The Board of Tanga Cement Company Limited consists of eight Directors. Apart from the Managing Director, 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 system of internal control policies and procedures is operative and for compliance with sound 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 the members have the knowledge, talent and experience to lead the Group. The non-executive Directors are independent of management and exercise their independent judgement. With their depth of experience, they add value to Board deliberations.

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

All Directors have access to the Group 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 quarterly to deliberate the results of the Company.

Performance evaluation and reward

Details of the remuneration of Directors are disclosed in Note 10 to the consolidated financial statements. The Group utilises the results of market surveys to ensure market-related salaries are paid and that market-related trends are followed in terms of changes in benefits, while at the same time taking into account the intrinsic value of individual contributions. A portion of the remuneration of all managerial staff, especially senior management, is linked to the 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 systems of the Group. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding the effectiveness and efficiency of operations in the following aspects:

- The safeguarding of the Group's assets (including information)
- Compliance with the applicable laws, regulations and supervisory requirements
- The reliability of the accounting records
- Business sustainability under normal as well as adverse conditions
- 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 systems throughout the financial year ended 31 December 2013 and is of the opinion that they were 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 Group 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. Below we provide a description of the operational, fraud and financial risks facing the Group:

Fraud risk

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

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 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 details of the financial risks facing the Group and Company are provided in Note 36 to the financial statements.

Financial reporting and auditing

The Directors accept final responsibility for the preparation of the annual consolidated financial statements which fairly present:

The financial position of the Group as at the end of the year under review:

- The financial results of operations
- The cash flows for that period.

The responsibility for compiling the annual consolidated financial statements was delegated to management.

The external auditors report on whether the annual consolidated 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, monitored by management, was maintained
- Appropriate accounting policies, supported by reasonable and prudent judgements and estimates, were used consistently
- The consolidated financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002

The Directors are also satisfied that no material event has occurred between the financial year-end and the date of this report.

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

The Group is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability. During the year, the Board of Tanga Cement Company Limited had the following sub-committees 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
2. Mr K Omar	Tanzanian	Msc Development studies
3. Mr L Serfontein	South African	Bcom, CA (SA)

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

Remuneration and Nomination Committee

Name	Nationality	Qualification
1. Dr S Olivier (Chairman)	South African	Ph.D Bio Chemistry
2. Ms M Mfugale	Tanzanian	BA, MBL, MBA
3. Mr L Masha	Tanzanian	LLB (Hons), LLM
4. Mr C Kariwa	Tanzanian	LLB

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

7. REMUNERATION POLICIES

The Group has in place processes and procedures for determining remuneration paid to its directors. Management normally prepares a proposal of fees and other emoluments paid to directors after having conducted a 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 Group capital structure for the year under review is shown below:

Authorised

63,671,045 Ordinary shares of Tzs 20 each (2012: 63,671,045 Ordinary shares of Tzs 20 each)

Issued up and fully paid

63,671,045 Ordinary shares of Tzs 20 each (2012: 63,671,045 Ordinary shares of Tzs 20 each).

9. MANAGEMENT

The Management of the Group is led by the Managing Director and is organised in the following functions:

- Finance
- Plant Management
- Sales and Marketing
- Occupation Health, Safety and Environment
- Human Resources

10. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Group during the year ended 31 December 2013 were:

Mr R Swart	Managing Director
Mr B Lema	Plant Manager
Mr D Lee	Chief Financial Officer
Mr O Kitomari	Occupational Health, Safety and Environment Manager
Mr H Fraser	Commercial Manager
Mrs S Kathurima	Human Resources Manager

11. DIRECTORS' REMUNERATION

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

	Amount in Tzs
Chairman of the Board of Directors	14,611,000
Other Directors	60,880,000

Executive Directors' remuneration for the company was Tzs 939 million (2012: Tzs 782 million) and Tzs 948 million (2012: Tzs 791 million) for the group

12. SHAREHOLDERS OF THE COMPANY

The top ten shareholders at 31 December were:

	2013	2012
AfriSam (Mauritius) Investment Holdings Limited	62.5%	62.5%
Public Service Pension Fund	7.17%	7.17%
National Social Security Fund	6.54%	6.54%
Social Action Trust Fund	1.79%	1.79%
Parastatal Pension Fund	1.25%	1.10%
The Registered Trustees of Tanga Cement Company Limited Employees' Scheme	0.79%	0.79%
Government Employees Provident Fund	0.35%	0.35%
The Local Authorities Pensions Fund	0.35%	0.35%
BP Tanzania Provident Trust Limited	0.32%	0.32%
Elizabeth Lazaro Pangala	0.24%	0.32%

Member summary as at 31 December:

	2013		2012	
	Number of Members	Number of Shares	Number of Members	Number of Shares
1-1,000	9,310	3,108,110	9,391	3,150,914
1,001-5,000	1,315	3,664,285	1,333	3,732,906
5,001-10,000	371	2,261,653	385	2,344,542
10,000 plus	124	14,842,594	116	14,648,280
AfriSam (Mauritius) Investment Limited	1	39,794,403	1	39,794,403
Total	11,121	63,671,045	11,328	63,671,045

No Director held any ordinary shares in the Company (2012: Prof S M Wangwe 2,000 Ordinary shares).

13. STOCK EXCHANGE INFORMATION

On 26 September 2002, the Group went public and its shares started to trade at the Dar es Salaam Stock Exchange (DSE). During the year, shares of the Group were continuously traded in the secondary market through auctions organised by the DSE. In the year 2013, the performance of the Group's shares in the secondary market was as follows: Market capitalisation as at 31 December 2013 was Tzs 128,620 million (2012: Tzs 152,811 million). Total turnover of the Group's shares at the DSE was Tzs 1.26 billion (2012: Tzs 2.87 billion). The average price of Group shares was Tzs 2,020 per share (2012: Tzs 2,400) and the prevailing share price as at 31 December 2013 was Tzs 2,020 per share (IPO price Tzs 360 per share).

14. PERFORMANCE FOR THE YEAR

Although the Group's sales volumes increased by 1%, revenue declined by 10% mainly due to changes in product and customer mix.

Although production volumes for the year remained almost static, the fixed costs of production and distribution rose in line with inflation. Together with rising electricity costs due to supply problems, this resulted in a reduction of 10% in gross profit. The kiln functioned efficiently throughout the year, stopping only for planned maintenance.

The detailed financial performance of the Group during the year is set out on page 17 of these consolidated financial statements.

Key Performance Indicators

Key performance indicators, both financial and non-financial, are used by the directors in assessing the Group's progress towards its objectives. These indicators are financial budgets, production targets, improved cost management, sustainable environmental performance, marketing innovation, human resources excellence and the corporate social responsibility programmes.

Financial results

In the course of its operations, the Group made a total comprehensive income of Tzs 32 billion. (2012: Tzs 37 billion). The Group's profit decreased by Tzs 5 billion. The decrease was mainly attributable to the 10% decrease in sales revenue, from Tzs 258 billion to Tzs 233 billion. Sales and administration expenses rose by 7%.

Financial Position

The financial position of the Group is as set out in the statement of financial position shown on page 18. During the year total assets grew by 7% from Tzs 194 billion to Tzs 208 billion, with reduced inventory levels and other current assets offset by increases in intangible assets and work in progress on the new kiln project.

15. RESULTS AND DIVIDEND

The Group's net profit for the year of Tzs 32,165 million (2012: Tzs 37,113 million) has been added to retained earnings. During the year the directors declared an interim dividend totalling Tzs 3,184 million (2012: Tzs 2,865 million) being Tzs 50 per share (2012: Tzs 45 per share). The directors propose a final dividend totalling of Tzs 3,820 million (2012: Tzs 3,502 million) being Tzs 60 per share (2012: Tzs 55 per share). Total interim and final dividend during the year would amount to Tzs 7,004 million (Tzs 110 per share) being an increase of 10% compared to the total dividend of Tzs 6,367 million (Tzs 100 per share) declared and approved during 2012.

16. FUTURE DEVELOPMENT PLANS

Market growth in East Africa is expected to continue during the coming years and Tanga Cement Company Limited expects sales volumes to increase accordingly.

In 2012 the boards of both Tanga Cement Company Limited (TCCL) and the company's majority shareholder, AfriSam, approved the construction of a second kiln at the factory in Tanga. This will give TCCL sufficient capacity to produce all its own clinker requirements, cease using expensive imported clinker and enable the company to increase cement production profitably in response to growing demand.

The project has been delayed by unfavourable ground conditions found at the original planned site, by a change of building contractor and by a change in the funding arrangements. Work commenced in the last quarter of 2013, with commissioning due in the second half of 2015.

17. 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, the strong brand of Simba Cement, competent management, committed and skilled personnel and a strong distribution channel.

18. CASH FLOW PROJECTION

The Group's cash projections indicate that future cash flows will be generated from its operational activities and by loans totalling USD 152m for the construction of the new kiln. The future cash flow projections of the Group will be significantly affected by the timing of capital expenditure commitments, which for the year 2014 are expected to be Tzs 126 billion, including Tzs 116 billion for the new kiln project (2013: Tzs 8 billion).

19. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the consolidated financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that Tanga Cement Company Limited has adequate resources to continue in operational existence for the foreseeable future.

20. ACCOUNTING POLICIES

The annual consolidated financial statements are prepared on the underlying assumption of a going concern. The Group's accounting policies, which are laid out on pages 21 to 34, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

21. ACQUISITIONS AND DISPOSALS

Tanga Cement Company Limited acquired the remaining 40% of the share capital of its subsidiary Cement Distributors (EA) Ltd. during the year (2012: Nil). There were no material disposals of business during the year 2013 (2012: Nil).

22. INVESTMENTS

Tanga Cement Company Limited owns 100% of the share capital of Cement Distributors (EA) Limited and 20% of the share capital of East African Rail Hauliers Limited. Detailed information regarding the Company's interests in its subsidiary and associate is given in Note 19 to the consolidated financial statements.

23. EMPLOYEES' WELFARE

Management and Employees' Relationship

A healthy relationship continues to exist between management and the trade union. A voluntary agreement signed in 2010 expired in 2013 and renewal negotiations continued into 2014. There were no 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 240 million for staff training in order to improve employees technical skills and effectiveness (2012: Tzs 241 million). Programmes 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 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 meets the Occupational Health and Safety Act 2003 and other legislation concerning industrial safety.

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 organisation 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 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 and 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 offices, canteen, medical facilities and transport.

The average number of employees for the Company during the year was 285 (2012: 286). The Group's average number of employees during the year was 358 (2012: 375).

Employees' Share Trust

The Company has advanced Tanga Cement Employees' Trust the funds indicated in Note 18 to the consolidated financial statements. The Trust uses the funds to purchase shares in Tanga Cement Company Limited which are held for the benefit of qualifying employees.

24. 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, tribes, religion and disability which do not impair ability to discharge duties. The Company had 285 (2012: 286) employees, of which 30 were female and 255 were male (2012: 29 female and 251 male). The Group has 358 (2012: 374) employees, of which 46 were female and 312 were male (2012: 49 female and 325 male).

25. POLITICAL DONATIONS

The Group did not make any political donations during the year.

26. ENVIRONMENTAL CONTROL PROGRAMME

The Group has a formal environment control accreditation program, with all operations following the ISO 14001:2004 standard.

27. QUALITY

The Group has a formal quality assurance accreditation program, with all operations following the ISO 9001:2008 standard.

28. CORPORATE SOCIAL INVESTMENT

During the year, Tanga Cement Company Limited continued to support Tanzanian society through its Corporate Social Responsibility programs. The areas that have been supported are community development, education, health and the environment. During the year, the Group contributed Tzs 388 million (2012: Tzs 406 million) towards various corporate social investment initiatives.

29. CONTRIBUTION AND SUBSCRIPTIONS

The Group paid subscriptions and made contributions to various organisations during the year, including the Dar es Salaam stock exchange (Tzs 20 million), Professional Associations and Charities. Such payments amounted to Tzs 82 million (2012: Tzs 49 million).

30. 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.

31. COMPLIANCE TO LAWS AND REGULATIONS

During the year ended 31 December 2013 there were no serious prejudicial matters to report as required by Tanzania Financial Reporting Standard No. 1 (Directors' Report).

32. STATEMENT OF COMPLIANCE

The director's report has been prepared in full compliance with Tanzania Financial Reporting Standard No. 1 (Directors' Report) and constitutes an integral part of the consolidated financial statements.

33. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 31 to these consolidated financial statements. The directors' emoluments have been disclosed in Note 31 to the consolidated financial statements.

34. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavourable matters that can affect the Group/Company.

35. AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office as auditors and are eligible for re-appointment. A resolution proposing the re-appointment of EY as auditors of the Group for the year 2014 will be tabled at the Annual General Meeting.

APPROVED BY THE BOARD OF DIRECTORS ON 05 MARCH 2014, AND SIGNED ON ITS BEHALF BY:



L Masha
Chairperson
5 March 2014



R Swart
Managing Director
5 March 2014

ANNUAL REPORT **2013**

Statement of Directors' Responsibilities

“ **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. ”

For each financial period, the Tanzanian Companies Act, 2002, requires Directors to prepare consolidated financial statements that give a true and fair view of the state of affairs of the Group as at the end of the financial year and of its profit or loss for that period. It also requires the Directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. 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 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 the requirements of 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 financial statements give a true and fair view of the state of the financial affairs of the Group and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated 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 will not remain a going concern for at least twelve months from the date of this statement.



L Masha
Chairperson
5 March 2014



R Swart
Managing Director
5 March 2014

ANNUAL REPORT **2013**

Independent Auditor's Report

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We have audited the accompanying consolidated financial statements of Tanga Cement Company Limited (the Company) and its subsidiary, Cement Distributors (EA) Limited (together, the Group), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 17 to 60.

Directors' responsibilities for the consolidated financial statements

The Group's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002, and for such internal controls as the directors determine necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, of the financial position of the Group as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Tanzanian Companies Act, 2002.

Report on other legal and regulatory requirements

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

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

- 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, so far as appears from our examination of those books;
- The report of the Directors is consistent with the consolidated financial statements;
- Information specified by law regarding Directors' remuneration and transactions with the Group is disclosed; and
- The Group's consolidated statement of financial position and consolidated statement of comprehensive income are in agreement with the books of account.

Ernst & Young

Certified Public Accountants
Dar es Salaam

Signed by:

Joseph Sheffu

Date: 8 March 2014

ANNUAL REPORT 2013



Consolidated Statement Of Comprehensive Income

for the year ended 31 December 2013

	Notes	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
Revenue	5	182,784,033	195,603,983	233,060,598	257,921,831
Cost of sales	6	(120,063,342)	(129,895,517)	(161,388,119)	(178,537,803)
Gross profit		62,720,691	65,708,466	71,672,479	79,384,028
Other income	7	1,821,165	1,796,386	67,834	164,135
Selling expenses	8	(2,200,158)	(2,046,290)	(2,200,158)	(2,046,290)
Administration expenses	9	(9,829,803)	(8,357,451)	(16,129,269)	(14,978,179)
Depreciation	10	(5,778,295)	(5,133,902)	(6,052,769)	(5,462,771)
Operating profits	10	46,733,600	51,967,209	47,358,117	57,060,923
Finance costs	11	(12,207)	(211,483)	(71,195)	(354,147)
Finance income	12	382,378	507,381	382,378	507,381
Foreign exchange losses	13	(1,058,553)	(991,434)	(1,345,531)	(1,281,090)
Profit before tax		46,045,218	51,271,673	46,323,769	55,933,067
Income tax expense	14	(13,588,984)	(16,772,541)	(14,158,879)	(18,819,650)
Profit for the year		32,456,234	34,499,132	32,164,890	37,113,417
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		32,456,234	34,499,132	32,164,890	37,113,417
Profit for the period attributable to:					
Owners of the parent		32,456,234	34,499,132	31,933,146	35,320,939
Non-controlling interests		-	-	231,744	1,792,478
		32,456,234	34,499,132	32,164,890	37,113,417
Total comprehensive income attributable to:					
Owners of the parent		32,456,234	34,499,132	31,933,146	35,320,939
Non-controlling interests		-	-	231,744	1,792,478
		32,456,234	34,499,132	32,164,890	37,113,417
Basic earnings per share (Tzs)	15(a)	510	542	505	555
Diluted earnings per share (Tzs)	15(b)	510	542	505	555

Waraka wa Mapato unaotambulika

kwa mwaka ulioishia tarehe 31 Desemba 2013

Maelezo		Kampuni 2013 Tzs' 000'	Kundi 2012 Tzs' 000'	Kampuni 2013 Tzs' 000'	Kundi 2012 Tzs' 000'
Mapato	5	182,784,033	195,603,983	233,060,598	257,921,831
Gharama za mauzo	6	(120,063,342)	(129,895,517)	(161,388,119)	(178,537,803)
Faida Ghafi		62,720,691	65,708,466	71,672,479	79,384,028
Gharama nyingine za uendeshaji	7	1,821,165	1,796,386	67,834	164,135
Gharama za uuzaji	8	(2,200,158)	(2,046,290)	(2,200,158)	(2,046,290)
Gharama za utawala	9	(9,829,803)	(8,357,451)	(16,129,269)	(14,978,179)
Uchakavu	10	(5,778,295)	(5,133,902)	(6,052,769)	(5,462,771)
Faida ya Uendeshaji	10	46,733,600	51,967,209	47,358,117	57,060,923
Gharama za Fedha	11	(12,207)	(211,483)	(71,195)	(354,147)
Mapato ya Fedha	12	382,378	507,381	382,378	507,381
Hasara iliyopatikana na ubadilishaji fedha	13	(1,058,553)	(991,434)	(1,345,531)	(1,281,090)
Faida kabla ya Kodi		46,045,218	51,271,673	46,323,769	55,933,067
Kodi ya Mapato	14	(13,588,984)	(16,772,541)	(14,158,879)	(18,819,650)
Faida kwa Mwaka		32,456,234	34,499,132	32,164,890	37,113,417
Pato kuu jingine		-	-	-	-
Jumla ya pato kuu kwa mwaka		32,456,234	34,499,132	32,164,890	37,113,417
Faida kwa kipindi kilichoidhinishwa kwa:					
Wamiliki wa Kampuni mama		32,456,234	34,499,132	31,933,146	35,320,939
Wamiliki wasio na udhibiti		-	-	231,744	1,792,478
		32,456,234	34,499,132	32,164,890	37,113,417
jumla ya Mapato yaliyoidhinishwa kwa:					
Wamiliki wa Kampuni mama		32,456,234	34,499,132	31,933,146	35,320,939
Wamiliki wasio na udhibiti		-	-	231,744	1,792,478
		32,456,234	34,499,132	32,164,890	37,113,417
Mapato ya msingi kwa hisa (Tzs)	15(a)	510	542	505	555
Mapato yaliyopunguzwa kwa hisa (Tzs)	15(b)	510	542	505	555

Consolidated Statement Of Financial Position

As at 31 December 2013

	Notes	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
ASSETS					
Non-current assets					
Property, plant and equipment	16	132,736,446	103,026,587	137,902,268	108,464,946
Intangible assets	17	-	-	7,444,384	2,827,792
Due from Employees' Share Trust	18	506,787	467,241	506,787	467,241
Investment	19	11,596,812	5,468,104	-	-
		144,840,045	108,961,932	145,853,439	111,759,979
Current assets					
Inventories	20	20,257,181	28,218,706	22,093,147	31,882,065
Trade and other receivables	21	9,414,579	9,139,159	4,895,344	3,649,146
Tax recoverable	26	1,749,304	-	4,780,650	5,643,832
Cash and cash equivalents	22	30,531,552	38,756,679	31,612,679	40,943,678
		61,952,616	76,114,544	63,381,820	82,118,721
TOTAL ASSETS		206,792,661	185,076,476	209,235,259	193,878,700
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	23	1,273,421	1,273,421	1,273,421	1,273,421
Retained earnings		169,737,752	143,959,986	168,431,556	143,176,878
Equity attributable to owners of the parent		171,011,173	145,233,407	169,704,977	144,450,299
Non-controlling interests		-	-	-	2,473,971
Total equity		171,011,173	145,233,407	169,704,977	146,924,270
Non-current liabilities					
Provision for Quarry Site Restoration	24	73,449	69,448	73,449	69,448
Deferred tax liability	14	20,226,783	19,354,560	20,226,783	19,354,560
		20,300,232	19,424,008	20,300,232	19,424,008
Current liabilities					
Bank overdraft	30	-	-	60,598	911,922
Trade and other payables	25	15,481,256	18,419,498	19,169,452	24,332,276
Income tax payable	26	-	1,999,563	-	2,286,224
		15,481,256	20,419,061	19,230,050	27,530,422
Total liabilities		35,781,488	39,843,069	39,530,282	46,954,430
TOTAL EQUITY AND LIABILITIES		206,792,661	185,076,476	209,235,259	193,878,700

These consolidated financial statements were approved by the Board of Directors for issue on 05 March 2014 and were signed on their behalf by:



Lawrence Masha
Chairperson



Reinhardt Swart
Managing Director

Waraka wa Hali ya Kifedha

Kama ilivyokuwa tarehe 31 Desemba 2013

Maelezo	Kampuni 2013 Tzs' 000'	Kundi 2012 Tzs' 000'	Kampuni 2013 Tzs' 000'	Kundi 2012 Tzs' 000'
ASSETS				
Rasilimali kudumu				
Mali, mitambo na vifaa	16	132,736,446	103,026,587	137,902,268
Rasilimali zisiozoonekana	17	-	-	7,444,384
Stahili kutoka mfuko wa Hisa wa wafanyakazi	18	506,787	467,241	506,787
Uwekezaji	19	11,596,812	5,468,104	-
		144,840,045	108,961,932	145,853,439
				111,759,979
Rasilimali za Muda				
Bidhaa	20	20,257,181	28,218,706	22,093,147
Wadaiwa wa kibiashara na wengine	21	9,414,579	9,139,159	4,895,344
Kodi inayorejesheka	26	1,749,304	-	4,780,650
Taslimu na benki	22	30,531,552	38,756,679	31,612,679
		61,952,616	76,114,544	63,381,820
				82,118,721
JUMLA YA RASILIMALI		206,792,661	185,076,476	209,235,259
				193,878,700
HISA NA DHIMA				
Mtaji wa Akiba				
Mtaji wa hisa ulitolewa	23	1,273,421	1,273,421	1,273,421
Mapato yaliyobakishwa		169,737,752	143,959,986	168,431,556
Hisa zilizoidhinishwa kwa wamiliki wa Kampuni mama		171,011,173	145,233,407	169,704,977
Wamiliki wasio na udhibiti		-	-	2,473,971
Jumla		171,011,173	145,233,407	169,704,977
				146,924,270
Dhima za kudumu				
Tengo la utunzaji eneo	24	73,449	69,448	73,449
Dhima ya kodi iliyochelewa	14	20,226,783	19,354,560	20,226,783
		20,300,232	19,424,008	20,300,232
				19,424,008
Dhima za muda				
Mikopo yenye riba	30	-	-	60,598
Madeni ya kibiashara na mengineyo	25	15,481,256	18,419,498	19,169,452
Madeni ya kodi ya mapato	26	-	1,999,563	-
		15,481,256	20,419,061	19,230,050
				27,530,422
Jumla ya Dhima		35,781,488	39,843,069	39,530,282
				46,954,430
JUMLA YA HISA NA DHIMA		206,792,661	185,076,476	209,235,259
				193,878,700

Taarifa hizi kamili za fedha zilizidhinishwa na Bodi ya Wakurugenzi tarehe 05 Machi 2013 na zilitiwa saine kwa niaba yao na:



Lawrence Masha
Mwenyekiti



Reinhardt Swart
Mkurugenzi Mtendaji

Consolidated Statement Of Changes in Equity

for the year ended 31 December 2013

	Notes	Issued Capital Tzs' 000'	Retained Earnings Tzs' 000'	Non-Controlling Interest Tzs' 000'	Total Tzs' 000'
COMPANY					
At 1 January 2012		1,273,421	115,318,590	-	116,592,011
Profit for the year 2012		-	34,499,132	-	34,499,132
Other comprehensive income		-	-	-	-
Total comprehensive income		1,273,421	149,817,722	-	151,091,143
Dividends	28	-	(5,857,736)	-	(5,857,736)
At 31 December 2012		1,273,421	143,959,986	-	145,233,407
Profit for the year 2013		-	32,456,234	-	32,456,234
Other comprehensive income		-	-	-	-
Total comprehensive income		1,273,421	176,416,220	-	177,689,641
Dividends	28	-	(6,678,468)	-	(6,678,468)
At 31 December 2013		1,273,421	169,737,752	-	171,011,173
GROUP					
At 1 January 2012		1,273,421	113,713,675	1,841,493	116,828,589
Profit for the year 2012		-	35,320,939	1,792,478	37,113,417
Other comprehensive income		-	-	-	-
Total comprehensive income		1,273,421	149,034,614	3,633,971	153,942,006
Dividends		-	(5,857,736)	(1,160,000)	(7,017,736)
At 31 December 2012		1,273,421	143,176,878	2,473,971	146,924,270
Profit for the year 2013		-	31,933,146	231,744	32,164,890
Other comprehensive income		-	-	-	-
Total comprehensive income		1,273,421	175,110,024	2,705,715	179,089,160
Dividends	28	-	(6,678,468)	(1,193,600)	(7,872,068)
Non-controlling Interest acquired during the year				(1,512,115)	(1,512,115)
At 31 December 2013		1,273,421	168,431,556	(0.00)	169,704,977

Waraka wa Mabadiliko ya Hisa/Mtaji

kwa mwaka ulioishia tarehe 31 Desemba 2013

	Maelezo	Mtaji wa hisa uliotolewa Tzs' 000'	Mapato yaliyohifadhiwa Tzs' 000'	Wamiliki wasio na udhibiti Tzs' 000'	Jumla Tzs' 000'
KAMPUNI					
	Tarehe 1 Januari 2012	1,273,421	115,318,590	-	116,592,011
	Faida kwa Mwaka 2012	-	34,499,132	-	34,499,132
	Mapato Mengineyo	-	-	-	-
	Jumla	1,273,421	149,817,722	-	151,091,143
	Gawio	-	(5,857,736)	-	(5,857,736)
	Tarehe 31 Desemba 2012	1,273,421	143,959,986	-	145,233,407
	Faida kwa mwaka 2013	-	32,456,234	-	32,456,234
	Mapato Mengineyo	-	-	-	-
	Jumla	1,273,421	176,416,220	-	177,689,641
	Gawio	-	(6,678,468)	-	(6,678,468)
	Tarehe 31 Desemba 2013	1,273,421	169,737,752	-	171,011,173
KUNDI					
	Tarehe 1 Januari 2012	1,273,421	113,713,675	1,841,493	116,828,589
	Faida kwa mwaka 2012	-	35,320,939	1,792,478	37,113,417
	Mapato Mengineyo	-	-	-	-
	Jumla	1,273,421	149,034,614	3,633,971	153,942,006
	Gawio	-	(5,857,736)	(1,160,000)	(7,017,736)
	Tarehe 31 Desemba 2012	1,273,421	143,176,878	2,473,971	146,924,270
	Faida kwa mwaka 2013	-	31,933,146	231,744	32,164,890
	Mapato Mengineyo	-	-	-	-
	Jumla	1,273,421	175,110,024	2,705,715	179,089,160
	Gawio	-	(6,678,468)	(1,193,600)	(7,872,068)
	Upatikanaji wa Wamiliki wasio na udhibiti	-	-	(1,512,115)	(1,512,115)
	Tarehe 31 Desemba 2013	1,273,421	168,431,556	(0.00)	169,704,977

Consolidated Statement Of Cash Flow

for the year ended 31 December 2013

	Notes	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
OPERATING ACTIVITIES					
Cash generated from operating activities	27	57,303,891	60,685,220	57,698,098	63,568,844
Finance income	12	382,378	507,381	382,378	507,381
Finance costs	11	(12,207)	(211,483)	(71,195)	(354,147)
Income taxes paid	26	(16,465,628)	(13,975,086)	(17,220,309)	(15,851,516)
Net cash flows from operating activities		41,208,434	47,006,032	40,788,972	47,870,562
INVESTING ACTIVITIES					
Acquisition of subsidiary net of cash acquired		(6,128,708)	-	(6,128,708)	-
Proceeds from sale of property, plant and equipment		-	58,996	-	68,996
Purchase of property, plant and equipment	16	(35,521,295)	(8,573,397)	(35,523,232)	(8,711,800)
Net cash flow used in investing activities		(41,650,003)	(8,514,401)	(41,651,940)	(8,642,804)
FINANCING ACTIVITIES					
Employees' Share Trust	18	(39,546)	(146,428)	(39,546)	(146,428)
Repayment of borrowings	30	-	(2,500,000)	-	(2,500,000)
Dividends paid to equity holder of parent	28	(6,685,459)	(5,857,736)	(6,685,459)	(5,857,736)
Dividend paid to non-controlling interest		-	-	(1,193,600)	(1,160,000)
Net cash flow used in financing activities		(6,725,005)	(8,504,164)	(7,918,605)	(9,664,164)
Net increase in cash and cash equivalents		(7,166,574)	29,987,467	(8,781,574)	29,563,594
Net foreign exchange difference		(1,058,553)	(991,434)	(1,345,531)	(1,281,090)
Cash and cash equivalents at the beginning of the year		38,756,679	9,760,646	40,031,756	11,749,252
Cash and cash equivalents at the end of the year	22	30,531,552	38,756,679	29,904,651	40,031,756

Waraka wa Mtiririko wa Fedha

kwa mwaka ulioishia tarehe 31 Desemba 2013

Maelezo		Kampuni 2013 Tzs' 000'	Kampuni 2012 Tzs' 000'	Kundi 2013 Tzs' 000'	Kundi 2012 Tzs' 000'
SHUGHULI ZA UENDESHAJI					
Taslimu kutoka shughuli za biashara	27	57,303,891	60,685,220	57,698,098	63,568,844
Mapato ya Fedha	12	382,378	507,381	382,378	507,381
Gharama za Fedha	11	(12,207)	(211,483)	(71,195)	(354,147)
Kodi ya mapato iliyolipwa	26	(16,465,628)	(13,975,086)	(17,220,309)	(15,851,516)
Mapato halisi kutoka shughuli za biashara		41,208,434	47,006,032	40,788,972	47,870,562
SHUGHULI ZA UWEKEZAJI					
Fedha halisi za ununuzi wa Kampuni tanzu		(6,128,708)	-	(6,128,708)	-
Mapato yaliyopatikana kwa uuzaji wa mali, mitambo na zana		-	58,996	-	68,996
Ununuzi wa mali, mitambo na zana	16	(35,521,295)	(8,573,397)	(35,523,232)	(8,711,800)
Mapato halisi yaliyotumika katika uwekezaji		(41,650,003)	(8,514,401)	(41,651,940)	(8,642,804)
SHUGHULI ZA KUGHARIMIA					
Mfuko wa Hisa za Wafanyakazi	18	(39,546)	(146,428)	(39,546)	(146,428)
Urejeshaji wa mikopo	30	-	(2,500,000)	-	(2,500,000)
Magawio yaliyolipwa kwa wenye hisa wa kampuni mama	28	(6,685,459)	(5,857,736)	(6,685,459)	(5,857,736)
Gawio lililolipwa kwa Wamiliki wasio na udhibiti		-	-	(1,193,600)	(1,160,000)
Mapato halisi yaliyotumiwa katika shughuli za kugharimia		(6,725,005)	(8,504,164)	(7,918,605)	(9,664,164)
Kupungua/Ongezeko katika fedha taslimu na fedha Linganifu		(7,166,574)	29,987,467	(8,781,574)	29,563,594
Tofauti Halisi ya Mabadiliko ya Fedha za kigeni		(1,058,553)	(991,434)	(1,345,531)	(1,281,090)
Fedha taslimu na Fedha linganifu mwanzo wa mwaka		38,756,679	9,760,646	40,031,756	11,749,252
Fedha taslimu na Fedha linganifu mwisho wa mwaka	22	30,531,552	38,756,679	29,904,651	40,031,756

ANNUAL REPORT **2013**

Notes to the consolidated Financial Statements

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

1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of Directors on **05 March 2014**. Tanga Cement Company Limited, 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 has not changed from the preceding reporting period. The Company's shares are publicly traded at the Dar es Salaam Stock Exchange. For Group information refer to page 1.

The principal activities of the Group are disclosed in the Directors' Report. Information on its holding Company is presented in Note 39.

The Group is listed on the Dar es Salaam Stock Exchange.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis. No adjustments have been made for inflationary factors affecting the statements. The consolidated financial statements are prepared in Tanzanian Shillings and all values are rounded to the nearest thousand (Tzs'000), except when otherwise indicated. These consolidated financial statements cover the year ended 31 December 2013.

2.2 STATEMENT OF COMPLIANCE AND BASIS OF CONSOLIDATION

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

The consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 December 2013.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains 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. All intra-group balances, transactions, and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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
- 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. It is then considered in the determination of goodwill.

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 accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. 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

The Group's investment in its associate is accounted using the equity method. An associate is an entity in 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.

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 comprehensive income reflects the share of the results of operations of the associate. Any change in the associate's OCI is presented as part of the group's OCI. 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 or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit. This is the profit attributable to equity holders of the associate and therefore is profit or loss 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.

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 value and recognises the amount in the 'share of profit of an associate' in the statement of 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) Foreign currency translation

The Group's consolidated financial statements are presented in Tanzanian Shillings (Tzs), which is also the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

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 with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognised in other comprehensive income and accumulated in equity until the disposal of the net investment, at which time they are recognised in profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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 comprehensive income are translated at exchange rates prevailing at the dates of the transactions. On disposal of a foreign operation, the component in equity relating to that particular foreign operation is recognised through other comprehensive income into profit or loss in the statement of comprehensive income.

d) 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 made. 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.

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 classified as available for sale, interest income 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 profit or loss.

Dividends

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

e) 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 at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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 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.

f) 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 time 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.

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 statement of 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.

Group as a lessor

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

h) Borrowing costs

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

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

i) Intangible assets

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.

j) 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 and trustees' 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 in finance costs.

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 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 finance costs in profit or loss.

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 the statement of comprehensive income.

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.

k) 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.

l) 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 to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs 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, except for a property previously revalued where the revaluation was taken to other comprehensive income.

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, nor 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 unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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.

Intangible assets

Intangible assets with finite and indefinite useful lives are tested for impairment annually as at 31 December, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

m) 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.

n) 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

o) 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

A provision is made over the life of the quarry, for the restoration of the quarry and general upkeep of the environment surrounding the quarry. The annual charge to profit or loss is based on the expected life of the quarry and is included in operating expenditure.

p) Employees' benefits

Pension benefit

All the Group's local employees are either members of the National Social Security Fund (NSSF) or the Parastatal Pension 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. Benefits falling due more than 12 months after reporting date are discounted to present value.

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.

Bonus is based on the key performance indicators that are identified from the performance based job description, as being indicators of progress in achieving company's stretch targets. These targets are set annually by agreement between the employee and the manager and recorded in a performance contract. These contracts are reviewed quarterly by both employee to discuss the progress and agree upon the outcome of the progress.

q) Comparatives

Where necessary, comparative figures have been adjusted or reclassified to conform with changes in the presentation in the current year.

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

r) 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.

s) Dividend distribution

The Company 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 the statement of profit or loss.

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The group adopted, for the first time, the following new and amended standards and interpretations and improvements which were effective on 1 January 2013.

- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint arrangements, IAS 28 Investements in Associates and Joint Ventures
- IFRS 12 Disclosure of Interest in other Entities
- IFRS 13 Fair Value Measurement
- IAS 1 Presentation of items of other comprehensive income
- IFRS 7 Financial Instrument Disclosures - Offsetting of financial assets and financial liabilities
- IAS 19 Employee Benefits (Revised 2011)

Several other amendments apply for the first time in 2013. They do not, however, impact the annual consolidated financial statements. The nature and the impact of each new standards and amendments is described below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. IFRS 10 does not change consolidation procedures (i.e., how to consolidate an entity). Rather, IFRS 10 changes whether an entity is consolidated by revising the definition of control. Control exists when an investor has:-

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee And
- The ability to use its power over the investee to affect the amount of the investor's returns

IFRS 10 also provides a number of clarifications on applying this new definition of control. Application of this IFRS did not have material impact in the financial statements of the company

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10.

IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint operation — An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognise all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.

Joint venture — An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures as defined in IFRS 11 using proportionate consolidation has been removed.

Under these new categories, the legal form of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

IAS 28 has been amended to include the application of the equity method to investments in joint ventures. Application of this IFRS did not have material impact in the financial statements of the company

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. For example, where a subsidiary is controlled with less than a majority of voting rights. While the Group has subsidiaries with material non-controlling interests, there are no unconsolidated structured entities.

Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include:

- Summarised financial information for each subsidiary that has non-controlling interests that are material to the reporting entity
- Significant judgements used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e., joint operation or joint venture), if applicable
- Summarised financial information for each individually material joint venture and associate
- Nature of the risks associated with an entity's interests in unconsolidated structured entities, and changes to those risks

The Group does not have unconsolidated structured entities. Application of this IFRS did not have material impact in the financial statements of the company

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of this IFRS did not have material impact in the financial statements of the company

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative

information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period.

The amendments clarify that the opening statement of financial position

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements as it is not a first-time adopter of IFRS.

IAS 19 Employee Benefits (Revised 2011)

The Group has applied IAS 19 (Revised 2011) prospectively in the current period in accordance with the transitional provisions set out in the revised standard.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated 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.

Judgements

In the process of applying the Group's accounting policies, management has made no judgements, apart from those involving estimations, which have had significant effects on the amounts recognised in the consolidated financial statements.

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 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 provision for quarry restoration refers to Note 24.

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 rate at which they are depreciated.

The carrying amount of property, plant and equipment refers to Note 16.

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.

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.

For fair value disclosures refer to Note 35

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 flow.

Refer to Notes 16 and 2.3 (i) for carrying amounts of assets and accounting impairment policy

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.

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 of tax refer to Note 14

4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities.

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

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014.

Notes to the consolidated financial statements

for the year ended 31 December 2013

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2,012 Tzs' 000'
5. REVENUE				
Cement revenue	180,164,890	193,294,537	226,205,478	246,185,362
Transport revenue	2,619,143	2,309,446	6,855,120	11,736,469
Total	182,784,033	195,603,983	233,060,598	257,921,831
6. COST OF SALES				
Included in cost of sales are:				
Production Costs	119,614,667	129,389,301	160,939,444	178,031,587
Royalties	448,675	506,216	448,675	506,216
Total	120,063,342	129,895,517	161,388,119	178,537,803
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.				
7. OTHER INCOME				
Sundry income	63,906	79,806	66,823	120,555
Dividend income from Subsidiary	1,790,400	1,683,000	-	-
Gain on sale of property, plant and equipment	(33,141)	33,580	1,011	43,580
Total	1,821,165	1,796,386	67,834	164,135
8. SELLING EXPENSES				
Other marketing and sales expenses	122,532	164,983	122,532	164,983
Personnel expenses	943,870	799,784	943,870	799,784
Third party service	1,133,756	1,081,523	1,133,756	1,081,523
Total	2,200,158	2,046,290	2,200,158	2,046,290
9. ADMINISTRATION EXPENSES				
Personnel expenses	6,424,809	5,264,579	10,694,355	9,215,860
Third party service	2,013,433	1,714,519	2,013,433	3,704,740
Other administration expenses	1,391,561	1,378,353	3,421,481	2,057,579
Total	9,829,803	8,357,451	16,129,269	14,978,179

Notes to the consolidated financial statements

for the year ended 31 December 2013

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2,012 Tzs' 000'
10. OPERATING PROFIT				
Operating profit from operations is after charging/(crediting):				
Auditors' remuneration:				
Audit fees				
- external	139,773	135,744	194,729	177,866
Directors' remuneration				
- Director's Expenses	123,915	137,184	133,455	146,644
Staff costs:				
- Service costs	13,314,896	11,679,736	14,397,796	12,762,636
- Pension costs (Defined contribution plan)	1,532,051	1,074,612	1,748,631	1,291,192
Rentals-Operating Lease payments	583,322	329,001	711,873	711,873
Charge for the year (Note16)	6,015,769	5,496,031	6,290,243	5,824,900
Write-up (Note16)	(237,474)	(362,129)	(237,474)	(362,129)
Depreciation	5,778,295	5,133,902	6,052,769	5,462,771
11. FINANCE COSTS				
Interest on bank overdraft	12,207	211,483	71,195	354,147
Total	12,207	211,483	71,195	354,147
12. FINANCE INCOME				
Interest on bank deposit	382,378	507,381	382,378	507,381
13. FOREIGN EXCHANGE LOSSES				
Exchange difference on cash and cash equivalent	1,058,553	991,434	1,345,531	1,281,090
14. INCOME TAX				
Consolidated statement of income				
Current income tax	11,906,091	14,563,767	12,475,986	16,610,876
Adjustments in respect of current income tax of previous year	810,670	417,823	810,670	417,823
Deferred tax charge	872,223	1,790,951	872,223	1,790,951
	13,588,984	16,772,541	14,158,879	18,819,650

Notes to the consolidated financial statements

for the year ended 31 December 2013

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2,012 Tzs' 000'
Deferred tax liability				
Due to accelerated capital allowances and provisions				
At 1 January	19,354,560	17,563,609	19,354,560	17,563,609
Charge for the year	872,223	1,790,951	872,223	1,790,951
At 31 December	20,226,783	19,354,560	20,226,783	19,354,560
Total deferred tax liability	20,226,783	19,354,560	20,226,783	19,354,560

As at 31 December 2013, Cement Distributor (EA) Limited, has a potential deferred tax asset of Tzs 77,870,000 (2012: Tzs 54,230,279) originating from temporary difference on tangible fixed assets. As the amount has no material impact on the results of the Group it is not recognised in these consolidated financial statements.

Tax rate reconciliation

A reconciliation between tax expenses and the accounting profit multiplied by Tanzanian's domestic tax rate for the years ended 31 December 2013 and 2012 is as follows:

	%	%	%	%
Standard rate of Tanzania normal taxation	30	30	30	30
The standard rate has been affected by:				
- Expenses not deductible for tax purposes	2	5	3	7
- Adjustments in respect of current income tax of previous year	1	3	1	3
Effective tax rate	33	38	34	40

15. EARNINGS PER SHARE

15. (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 by the weighted average number of ordinary shares outstanding during the year. The calculation is based on:

Attributable profit to ordinary shareholders Tzs	32,456,234	34,499,132	31,933,146	35,320,939
	Number	Number	Number	Number
Weighted average number of ordinary shares	63,671,045	63,671,045	63,671,045	63,671,045

15. (b) Diluted earnings per share

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

Attributable profit to ordinary shareholders Tzs	32,456,234	34,499,132	31,933,146	35,320,939
	Number	Number	Number	Number
Weighted average number of ordinary shares	63,671,045	63,671,045	63,671,045	63,671,045

Notes to the consolidated financial statements

for the year ended 31 December 2013

16. PROPERTY, PLANT AND EQUIPMENT

16. (a) Property, Plant and Equipment - Company

	Leasehold 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'
At 1 January 2013	19,904,484	105,080,241	1,430,523	115,035	8,103,422	134,633,705
Additions	44,501	1,818,355	-	116,075	33,542,364	35,521,295
Transfers	895,259	2,499,311	-	-	(3,394,570)	-
Disposals	-	(264,798)	-	-	-	(264,798)
At 31 December 2013	20,844,244	109,133,109	1,430,523	231,110	38,251,216	169,890,202
Depreciation						
At 1 January 2013	3,025,055	27,420,906	1,086,526	74,631	-	31,607,118
Charge for the year	558,780	5,239,010	202,376	15,603	-	6,015,769
Disposals	-	(231,657)	-	-	-	(231,657)
Write-up	-	(159,379)	(55,718)	(22,377)	-	(237,474)
At 31 December 2013	3,583,835	32,268,880	1,233,184	67,857	-	37,153,756
Carrying amount						
At 31 December 2013	17,260,409	76,864,229	197,339	163,253	38,251,216	132,736,446
	Leasehold 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'
At 1 January 2012	19,609,189	95,090,878	1,494,150	113,843	10,336,783	126,644,843
Additions	-	3,574,216	-	1,192	4,997,989	8,573,397
Transfers	295,295	6,936,055	-	-	(7,231,350)	-
Disposals	-	(520,908)	(63,627)	-	-	(584,535)
At 31 December 2012	19,904,484	105,080,241	1,430,523	115,035	8,103,422	134,633,705
Depreciation						
At 1 January 2012	2,497,974	23,533,106	908,654	92,601	-	27,032,335
Charge for the year	556,276	4,705,351	221,615	12,789	-	5,496,031
Write-up	(29,195)	(302,175)	-	(30,759)	-	(362,129)
Disposals	-	(515,376)	(43,743)	-	-	(559,119)
At 31 December 2012	3,025,055	27,420,906	1,086,526	74,631	-	31,607,118
Carrying amount						
At 31 December 2012	16,879,429	77,659,335	343,997	40,404	8,103,422	103,026,587

Notes to the consolidated financial statements

for the year ended 31 December 2013

16. (b) Property, Plant and Equipment - Group

	Leasehold land and Buildings Tzs' 000'	Plant and Machinery Tzs' 000'	Motor Vehicles Tzs' 000'	Furniture Fittings & Equipment Tzs' 000'	Capital Work in Progress Tzs' 000'	Total Tzs' 000'
At 1 January 2013	25,132,762	105,256,633	2,201,628	339,328	8,103,421	141,033,772
Additions	44,501	1,820,292	-	116,075	33,542,364	35,523,232
Transfers	895,259	2,499,311	-	-	(3,394,570)	-
Disposals	-	(264,798)	-	-	-	(264,798)
At 31 December 2013	26,072,522	109,311,438	2,201,628	455,403	38,251,215	176,292,206
Depreciation						
At 1 January 2013	3,245,192	27,525,848	1,669,035	128,751	-	32,568,826
Charge for the year	632,160	5,279,165	334,595	44,323	-	6,290,243
Disposals	-	(231,657)	-	-	-	(231,657)
Write-up	-	(159,379)	(55,718)	(22,377)	-	(237,474)
At 31 December 2013	3,877,352	32,413,977	1,947,912	150,697	-	38,389,938
Carrying amount						
At 31 December 2013	22,195,170	76,897,461	253,716	304,706	38,251,215	137,902,268
At 1 January 2012	24,837,467	95,267,270	2,108,113	338,136	10,336,782	132,887,768
Additions	-	3,574,216	138,403	1,192	4,997,989	8,711,800
Transfers	295,295	6,936,055	-	-	(7,231,350)	-
Disposals	-	(520,908)	(44,888)	-	-	(565,796)
At 31 December 2012	25,132,762	105,256,633	2,201,628	339,328	8,103,421	141,033,772
Depreciation						
At 1 January 2012	2,644,732	23,638,048	1,218,726	148,514	-	27,650,020
Charge for the year	629,655	4,705,351	475,313	14,581	-	5,824,900
Disposal	-	(515,376)	(25,004)	(3,585)	-	(543,965)
Write-up	(29,195)	(302,175)	-	(30,759)	-	(362,129)
At 31 December 2012	3,274,387	27,828,023	1,669,035	159,510	-	32,930,955
Carrying amount						
At 31 December 2012	21,858,375	77,428,610	532,593	179,818	8,103,421	108,102,817

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 and Stanbic Bank Tanzania Limited, refer Note 30.
- ii) In December 2007, an independent valuation was carried out by a sworn appraiser for the purpose of establishing the market value of the Group's property, plant and equipment. The net current replacement cost of the plant and equipment amounted to US\$ 200 million. No adjustment was made in the accounting records to reflect the current market value of the Group's property, plant and equipment.
- iii) Included in plant and machinery at 31 December 2013 is Tzs 4.6 billion relating to the insurance spares moved from inventory to plant, machinery and equipment (2012: Tzs 4.9 billion).
- iv) At the date of acquisition, the fair values of Cement Distributors East Africa Limited's assets were considered to be equal to their carrying amount with the exception of land and buildings which were valued at Tzs 3.4 billion above their carrying amount. This figure has been included in the consolidated financial statements.
- v) The amount of borrowing cost capitalised during the year ended 31 December 2013 was Tzs Nil (2012: Tzs Nil). The rate used to determine the amount of borrowing cost eligible for capitalisation was Nil (2012: 14%), which was the effective interest rate of the specific borrowing.
- vi) The write up is a reversal of depreciation previously charged as result for assessing useful life of fully depreciated assets.

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for the year ended 31 December 2013

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2,012 Tzs' 000'
17. INTANGIBLE ASSETS				
Goodwill				
At 1 January	-	-	2,827,792	2,827,792
Acquisition of Subsidiary Company	-	-	4,616,592	-
Impairment	-	-	-	-
At 31 December	-	-	7,444,384	2,827,792

Goodwill 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 flow of Cement Distributors (EA) Limited since it is not a listed Company and no market information is available for its share price. The additional goodwill of Tzs 4.6 billion resulted from additional 40% acquired from the subsidiary, the difference between net asset acquired at fair value and consideration paid.

The Directors review the goodwill for impairment annually based on projected cash flows for the cash generating units, using hurdle rate of 16.7% and long term inflation of 5.4% as per projected performance of the Company for five years plan. The goodwill was not impaired during the year(2012: Nil).

The above intangible does not include any intangible assets whose title is restricted where its carrying amount has been pledged as security for liabilities.

18. EMPLOYEES' SHARE TRUST

Opening balance	467,241	320,813	467,241	320,813
Loan repayment	(70,139)	(92,851)	(70,139)	(92,851)
	397,102	227,962	397,102	227,962
Additional advance provided	109,685	239,279	109,685	239,279
Total	506,787	467,241	506,787	467,241

An amount advanced to Tanga Cement Employees' Share Trust, an independent entity, established by Tanga Cement Company Limited (TCCL) employees under Chapter 375 of laws of Tanzania to purchase 2,983,552 shares of the total shares issued (63,671,045 shares) of TCCL for the benefit of TCCL employees.

The loan from TCCL to the Trust is repaid in instalments, in amounts and at times that the trustees decide, in accordance with the rules of the TCCL Employees Share Trust. The loan is interest free and does not have fixed term of repayment.

19. INVESTMENT

Investment in subsidiary	5,468,104	5,468,104	-	-
Additional Investment in subsidiary company	6,128,708	-	-	-
	11,596,812	5,468,104	-	-

19. (a) Tanga Cement Company Limited owns 20% of the issued ordinary share capital of East African Rail Hauliers Limited (EARHL). The principle activity of the EARHL is the rail transportation of cement manufactured by Tanga Cement Company Limited in Tanzanian. EARHL is a private entity that is not listed on any public 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.

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for the year ended 31 December 2013

19. INVESTMENT (Continued)	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
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This East Africa Rail Hauliers Limited (EARHL) has been operating for the past four years. Since then, the Company has been making losses. As at 31 December 2010, the Board decided to impair the full amount of the investment in EARHL. No share of losses has been accrued for as there is no legal or constructive obligation towards Tanga Cement Company Limited. A summary of financial information regarding EARHL is as follows:

Cost of acquisition	131,875	131,875	-	-
Impairment cost	(131,875)	(131,875)	-	-
	-	-	-	-

The Group's proportionate share of retained earnings is as follows:

	Unaudited Figure		Audited Figure	
Sales	-	-	1,830,334	2,998,258
Operating profit/(loss)	-	-	(384,761)	13,449
Borrowing costs	-	-	(109,893)	(21,721)
Loss before taxation	-	-	(494,654)	(8,272)
Taxation	-	-	-	-
Loss for year	-	-	(494,654)	(23,939)
Share of earnings retained by associates	-	-	(494,654)	(23,939)
Net liabilities during year	-	-	(569,936)	(74,761)

			As at 31 December	
Share capital	-	-	659,375	659,375
Accumulated loss	-	-	(1,723,965)	(734,136)
Non-current liabilities	-	-	45,296	45,296
Non-current assets	-	-	98,244	235,920
Net current liabilities	-	-	(1,117,538)	(265,385)

(i) The above figures are determined from the latest unaudited financial statements for the year ended 31 December 2013.

(ii) Equity method of accounting has been consistently used for its interest in the associate.

20. INVENTORIES

Raw materials (at cost)	4,529,622	3,646,022	4,529,622	3,646,022
Semi finished and finished products (at cost)	2,936,430	9,523,841	3,841,104	11,724,591
Fuels (at cost)	2,187,807	4,700,774	2,187,807	4,700,774
Parts and consumables (at cost)	15,795,759	14,914,155	15,795,760	14,914,155
Goods In Transit	-	-	931,291	1,462,609
	25,449,618	32,784,792	27,285,584	36,448,151
Provision for obsolete stocks	(5,192,437)	(4,566,086)	(5,192,437)	(4,566,086)
Total inventories at the lower of cost and net realisable value	20,257,181	28,218,706	22,093,147	31,882,065

Notes to the consolidated financial statements

for the year ended 31 December 2013

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
20. INVENTORIES (Continued)				
Movement on the provision for obsolete stocks				
At 1 January	4,566,086	3,493,744	4,566,086	3,493,744
Charge for the year	626,351	1,072,342	626,351	1,072,342
At 31 December	5,192,437	4,566,086	5,192,437	4,566,086

During 2013, Tzs Nil (2012: Tzs Nil) was recognised as an expenses for inventories carried at net realisable value.

The cost of inventories recognised as an expenses and included in 'cost of sales' in the Group consolidated statement of comprehensive income amounted to Tzs 62,780 million (2012: Tzs 52,577 million)

During the year, unrealised profit on the inventory was Tzs 1,028 million (2012: Tzs 1,853 million).

Floating assets including the carrying amount of inventories has been pledged as security for overdraft facilities.

21. TRADE AND OTHER RECEIVABLES

Trade accounts receivable	8,063,612	8,250,796	3,379,793	2,159,324
Advance to Suppliers	-	285,806	164,584	852,952
Prepaid expenses	977,399	203,161	977,399	203,161
Staff advances and loans	-	396,561	-	396,561
Other receivables	373,568	2,835	373,568	37,148
Provision for impairment of receivables	-	-	-	-
Total	9,414,579	9,139,159	4,895,344	3,649,146

Trade receivables are non-interest bearing and are generally on 30 day terms.

Days sales outstanding for 2013 were 17 days (2012: 15 days).

No Trade receivables were impaired or fully provided for (2012:Tzs NIL).

As at 31 December, for the Company there was no amount which was past due but not impaired, and for the Group trade receivables amounting to Tzs 10 million (2012: Tzs 50 million) were past due but not impaired. These were not impaired as there is no history of default and no significant effect of time value. The ageing analysis of trade receivables was as follows:

Up to 30 days	7,229,144	8,250,436	1,901,571	1,901,571
31 -60 days	459,770	-	172,662	172,662
61-90 days	343,172	360	34,668	34,668
Over 91 days	10,113	-	-	50,423
At 31 December	8,042,199	8,250,796	2,108,901	2,159,324

For the carrying amounts of the Company and Group's trade and other receivables which are denominated in the different currencies refer to Note 36.

The other classes within trade and other receivables do not contain impaired assets. Hence the carrying amounts of the above receivables approximate to their fair values.

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

The Company or Group does not hold any collateral as security.

Notes to the consolidated financial statements

for the year ended 31 December 2013

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
22. CASH AND CASH EQUIVALENTS				
Cash at banks and on hand	30,531,552	38,756,679	31,612,679	40,943,678
Total	30,531,552	38,756,679	31,612,679	40,943,678

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

The cash and cash equivalent position for cash flow purposes is as follows:

Cash and cash equivalents as above	30,531,552	38,756,679	31,612,679	40,943,678
Bank overdraft	-	-	(60,598)	(911,922)
Net cash and cash equivalent	30,531,552	38,756,679	31,552,081	40,031,756

Company undrawn borrowing facilities - overdraft facilities

Standard Chartered Bank	10,000,000	10,000,000	10,000,000	10,000,000
National Bank of Commerce	15,000,000	15,000,000	16,500,000	16,500,000
Stanbic Bank Tanzania Limited	4,000,000	4,000,000	4,000,000	4,000,000

23. ISSUED CAPITAL AND RESERVE

(a) Authorised

63,671,045 Ordinary shares of Tzs 20 each	1,273,421	1,273,421	1,273,421	1,273,421
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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
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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 Limited	62.5	62.5	62.5	62.5
Tanga Cement Employee Share Trust	1.10	1.1	1.10	1.1
Tanzania General Public	36.40	36.4	36.40	36.4
	100.00	100.00	100.00	100.00

24. PROVISION FOR LIABILITIES AND CHARGES

Provision for Quarry Site Restoration				
At 1 January	69,448	65,447	69,448	65,447
Addition provision during the year	4,001	4,001	4,001	4,001
At 31 December	73,449	69,448	73,449	69,448

Provision for quarry site restoration is made annually in equal instalments, currently based on the expert costing prepared in 2005 and updated in 2009. The provision is assessed annually by management and new cost estimates are prepared by external specialist consultants every five years, with the next one being due in 2014. Any increase/(decrease) in the provision is recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements

for the year ended 31 December 2013

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2,012 Tzs' 000'
25. TRADE AND OTHER PAYABLES				
Trade accounts payable	8,289,787	5,310,533	9,407,730	9,673,217
Advances from customer	1,227,040	86,160	2,868,487	1,624,926
Freight and duty clearing	428,630	211,840	428,630	211,840
Dividend payable	1,290,747	1,370,230	1,290,747	1,370,230
Accrual expenses	2,264,753	2,373,593	2,492,674	2,373,593
Other payables	1,980,300	9,067,142	2,681,185	9,078,470
Total	15,481,256	18,419,498	19,169,452	24,332,276

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 customer are non-interest bearing and have an average term of 30 days.
- Other payables are non-interest bearing and have an average term of 30 days.
- For terms and conditions relating to related parties, refer to Note 31.

For explanation on the Company and Group's credit risk management processes, refer to Note 36.

The carrying amounts of the above payables and accrued expenses approximate to their fair values.

26. INCOME TAX PAYABLE

At 1 January	1,999,563	993,059	2,286,224	1,109,041
Payment made during the year	(16,465,628)	(13,975,086)	(17,220,309)	(15,851,516)
Current year provision (Note 14)	12,716,761	14,981,590	13,286,656	17,028,699
At 31 December	(1,749,304)	1,999,563	(1,647,429)	2,286,224

26. (b) TAX RECOVERABLE

At 1 January	-	-	5,643,832	5,583,905
Payment made during the year	-	-	-	6,471,256
Payment received during the year	-	-	(2,510,611)	(6,411,329)
At 31 December	-	-	3,133,221	5,643,832

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

27. (a) Reconciliation of profit before tax to cash flow from operating activities:

Profit from operation	46,733,600	51,967,209	47,358,117	57,060,923
Adjusted for Non cash movement:				
Depreciation (Note 10)	5,778,295	5,133,902	6,052,769	5,462,771
Gain on sale of property, plant & equipment	33,141	(33,580)	33,141	(47,165)
Site restoration provision	4,001	4,001	4,001	4,001
Operating profit before working capital changes	52,549,037	57,071,532	53,448,028	62,480,530
Decrease/(increase) in inventory	7,961,525	4,279,093	9,788,919	4,232,491
(Increase)/ decrease in trade and other receivables	(275,420)	(711,032)	(1,246,198)	(145,635)
Increase in tax recoverable	-	-	863,182	(59,927)
Increase/(decrease) in trade and other payables	(2,931,251)	45,627	(5,155,833)	(2,938,615)
Cash generated from operating activities	57,303,891	60,685,220	57,698,098	63,568,844

Notes to the consolidated financial statements

for the year ended 31 December 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
28. DIVIDEND PAID AND PROPOSED				
Dividend paid during the year				
Dividends on ordinary shares:				
Final dividend 2012: Tzs 55 per share (2011: Tzs 47 per share)	3,501,907	2,992,539	3,501,907	2,992,539
Interim dividend 2013: Tzs 60 per share (2012: Tzs 45 per share)	3,183,552	2,865,197	3,183,552	2,865,197
	6,685,459	5,857,736	6,685,459	5,857,736
Unclaimed dividend rescinded	(6,991)	(160,841)	-	(160,841)
Total	6,678,468	5,696,895	6,685,459	5,696,895

Where appropriate, dividends paid are subject to withholding tax which is payable to the Tanzania Revenue Authority.

The final dividend for 2013 will be proposed for approval by shareholders at the company's annual general meeting and is not recognised as a liability as at 31 December 2013. Any dividends not claimed after seven years will be rescinded.

Dividends on ordinary shares:

Final dividend for 2013 Tzs 60 per share
(2012: Tzs 55 per share)

3,820,260	3,501,905	3,820,260	3,501,905
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29. 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	585,322	464,638	1,127,738	1,176,511
- After one year and not more than five years	-	-	-	-

During the year, the Company charged Tzs 719 million (2012: Tzs 613 million) while the Group charged Tzs 1,181 million (2012: Tzs 1,325 million) as expenses in the statement of comprehensive income in respect of these leases.

30. INTEREST-BEARING LOANS AND BORROWINGS

The details of external borrowing facilities of Tanga Cement Company Limited as at the end of year are as set out below:

Name of Holder	Repayment/ Facility Settlements terms			
Interest rate 30(a) Standard Chartered Bank Tanzania Limited				
Overdraft facility (Tzs'000)	10,000,000	On demand	10,000,000	12 months T-Bill +2.20% per annum

Security Held

- (i) Debenture charge over fixed & floating assets shared with National Bank of Commerce Limited and PIC 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 and PIC;
- (iii) The overdraft bears a rate of interest of 1 year treasury bill rate plus 2.2% (2012: 1 year treasury bill rate rate plus 2.2% per annum), charged every month on the daily outstanding amount. It's agreed that, the Bank is entitled to vary the rate of interest provided that due notice shall be given to Tanga Cement Company Limited.

Notes to the consolidated financial statements

for the year ended 31 December 2013

30.(b) National Bank of Commerce Limited (NBC)	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
Bank overdraft	-	-	60,598	911,922

Name of Holder	Repayment/ Facility	Settlements terms	2013 Tzs' 000'
Overdraft facility (Tzs'000)	20,000,000	On demand	22,000,000

Security held by the banks

- (i) Debenture charge over fixed & floating assets shared with Standard Chartered Bank Tanzania Limited and PIC 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 Standard Chartered Bank Tanzania Limited and PIC;
- (iii) The overdraft bears a rate of interest of 1 year treasury bill rate plus 2.5% (2012: NBC base rate plus 12% 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 Tanga Cement Company Limited.

Name of Holder	Company USD	Repayment/ Settlements terms	Group USD	Interest rate
30.(c) Government Employees Pension Fund The Public Investment Corporation SOC Limited, as agent and security trustee for the South African Government Employees Pension Fund (PIC)				
Term Loan (Facility A)	60,000,000	To September 2026	60,000,000	6m US Libor +3.9%
Term Loan (Facility B)	52,000,000	To September 2025	52,000,000	6m US Libor +4.5%
Term Loan (Facility C)	30,000,000	To September 2025	30,000,000	6m US Libor +4.5%
	142,000,000		142,000,000	

The purpose of the term loan is 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.
- (ii) 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.

Security held by the banks

- (i) Debenture charge over fixed & floating assets shared with National Bank of Commerce (NBC) Limited and Standard Chartered Bank Tanzania Limited on a 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

Notes to the consolidated financial statements

for the year ended 31 December 2013

31. RELATED PARTY TRANSACTIONS

31. (a) The Company sells a major portion of its production through Cement Distributors (EA) Limited (CDEAL), subsidiary company. Transactions with the associate in the current year at arms length were as follows:

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
Sales	105,293,316	189,095,866	-	-
Transportation service rendered by CDEAL	5,220,783	9,465,942	-	-

31. (b) The Group sells and purchases a portion of its product to other related party companies as follows:

Sales to related parties

Abbasi Exports Limited	Common	-	-	70,497	88,376
East African Rail Hauliers Limited	Shareholding	-	-	14,244	34,355
Plasco Limited		-	-	3,659	4,226

Purchases from related parties

Abbasi Exports Limited	Common	-	-	4,314,966	6,820,541
East African Rail Hauliers Limited	Shareholding	-	-	1,817,200	1,679,600

31. (c) The Group utilises the railway facilities of Tanzania Railways Limited, through its associate East African Rail Hauliers Limited for the transportation of cement to upcountry markets at agreed rates.

East African Rail Hauliers Limited is a Company in which Tanga Cement Company Limited owns 20% of the issued share capital. The Company commenced operations in December 2004. Its business is to provide rail services to Tanga Cement Company Limited for the transportation of cement in Tanzania according to a commercial contract signed between the two parties.

There were no transactions between East African Rail Hauliers Limited and Tanga Cement Company Limited during the year (2012: Nil) as the Company. For Tanga Cement Company Limited as the Group, kindly see the above.

31. (d) There were no transactions between AfriSam (Mauritius) Investment Holdings Limited and Tanga Cement Company Limited during the year (2012: Nil).

31. (e) Key Management personnel

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

	Company 2,013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2,013 Tzs' 000'	Group 2012 Tzs' 000'
Key Management compensation				
Short-term employee benefits (Salary)	2,700,613	1,928,471	2,883,729	2,111,587
Post-employee benefits (Defined contribution plans)	295,358	286,869	311,511	303,022
	2,995,971	2,215,340	3,195,240	2,414,609

No terminal or other term benefits were paid to key management personnel during the year (2012: Nil).

Notes to the consolidated financial statements

for the year ended 31 December 2013

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
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31. RELATED PARTY TRANSACTIONS (Continued)

Transactions with key management personnel

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 2013, there was no outstanding amount with key management personnel.(2012:Nil)

31.(f) Director emoluments

Non-executive Chairman	14,611	9,099	14,611	9,099
Non-executive Directors	60,880	38,756	60,880	38,756
Executive Directors (Included in key management personnel above)	938,877	782,000	948,337	791,460
	1,014,368	829,855	1,023,828	839,315

As at 31 December 2013, there was no outstanding balance with directors. (2012:Nil)

31.(g) Balances outstanding at the end of the year to and from related companies are as follows:

The sales to and purchases from related parties are made at normal market prices. 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 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: Tzs 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.

Due from related Company

Cement Distributors (EA) Limited	6,813,812	8,145,852	-	-
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Due to related Companies

Cement Distributors (EA) Limited	683,792	332,882	-	-
AfriSam South Africa (Pty) Limited	346,498	306,858	346,498	346,498

Tanga Cement Company Limited did not pay any group fee to the Ultimate Holding Company, Opiconsivia Investments 230 (Pty) Limited. AfriSam's outstanding balance relates to reimbursable expenses incurred on behalf of TTCL and CDEAL to various services provided to TCCL.

32. CAPITAL COMMITMENTS

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

Approved and contracted for :

Renewal	Tzs	2,496,254	8,106,838	2,496,254	8,106,838
Expansion - new kiln project	USD	152,000,000	-	152,000,000	-

Notes to the consolidated financial statements

for the year ended 31 December 2013

33. 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 2013 and 31 December 2012. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio between 9% and 25%. The Group includes within net debt interest-bearing borrowings, trade and other payables less cash and cash equivalents, excluding discontinued operations. Capital includes issued and fully paid share capital, retained earnings and other reserves. Despite heavy investment activity, net financial debt decreased compared to last year as the result of a higher equity base and the absence of interest bearing liabilities.

	Company 2013 Tzs' 000'	Company 2012 Tzs' 000'	Group 2013 Tzs' 000'	Group 2012 Tzs' 000'
Interest-bearing loans and borrowings (Note 30)	-	-	-	-
Trade and other payables (Note 25)	15,481,256	18,419,498	19,169,452	24,332,276
Less: Cash and cash equivalent (Note 22)	(30,531,552)	(38,756,679)	(31,552,081)	(40,943,678)
Net debt	(15,050,296)	(20,337,182)	(12,382,629)	(16,611,402)
Capital	171,011,173	145,233,407	169,704,977	146,924,270
Capital and net debt	155,960,877	124,896,226	157,322,348	130,312,868
Gearing ratio	-9%	-14%	-7%	-11%
Capital includes Issued and fully paid up Ordinary Shares and Retained Earnings				

34. INVESTMENT IN MIVUMONI BIOFARM LIMITED

	% Share Holding	Non-controlling interest
Mivumoni Biofarm Limited	51%	49%

Mivumoni Biofarm Limited was incorporated on 22 February 2007. The Non-controlling interest shares are held by Larry Electrical Works Limited.

This subsidiary is insignificant and does not materially affect the consolidated financial statements of the Tanga Cement Company Limited for the years 2013 and 2012. The entity was formed for the purpose of operating a plantation for a biomass project but has been dormant since its formation. The Directors have decided not to include it in the consolidated financial statements. The consolidated financial statements, if prepared, will not be materially different from the consolidated financial statements of Tanga Cement Company Limited.

Notes to the consolidated financial statements

for the year ended 31 December 2013

35. FAIR VALUE ADJUSTMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Company and Group's financial instruments carried in the consolidated financial statements:

	Carrying amount Company 2013 Tzs' 000'	Fair value Company 2013 Tzs' 000'	Group 2013 Tzs' 000'	Fair value Group 2013 Tzs' 000'
Financial assets				
Trade and other receivables	9,414,579	9,414,579	4,895,344	4,895,344
Cash and short-term deposits	30,531,552	30,531,552	31,612,679	31,612,679
	39,946,131	39,946,131	38,508,023	38,508,023
Financial liabilities				
Bank overdraft	-	-	60,598	60,598
Trade and other payables	15,481,256	18,419,498	19,169,452	19,169,452
	15,481,256	18,419,498	19,230,050	19,230,050
	Company 2012 Tzs' 000'	Company 2012 Tzs' 000'	Group 2012 Tzs' 000'	Group 2012 Tzs' 000'
Financial assets				
Trade and other receivables	9,139,159	9,139,159	24,332,276	24,332,276
Cash and short-term deposits	38,756,679	38,756,679	40,943,678	40,943,678
	47,895,838	47,895,838	65,395,954	65,395,954
Financial liabilities				
Bank overdraft	-	-	911,922	911,922
Trade and other payables	18,419,498	18,419,498	24,332,276	24,332,276
	18,419,498	18,419,498	25,244,198	25,244,198

The Company and Group adopted the amendment to IFRS 7 for financial instruments that are measured in the reporting date at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- * At fair value through profit or loss financial assets/ liabilities - these instruments are at quoted list prices, they are classified as level 1.
- ** Trade and other receivables, cash and bank balances, interest-bearing loans and borrowings, bank overdraft and trade and other payables are at amortised cost and their carrying amounts approximate their fair values as they have variable interest rate and the rates are market related. As the fair values are not based on quoted list prices, they are classified as level 2 as it is based on similar market transactions.
- *** At fair value through profit or loss financial assets/ liabilities - these are instruments that use inputs that have significant effect on the recorded fair values that are not based on observed market data and they are classified as level 3.

All assets and liabilities are classified as level 2 with carrying value less provision equalling fair value, therefore there are no fair value adjustments.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The main risks arising from the Company and Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, and credit risk. Policies are reviewed and agreed upon at Company and Group levels in order to manage these risks as summarised below:

Notes to the consolidated financial statements

for the year ended 31 December 2013

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 comprise two types of risks: interest rate risk and currency risk. Financial instruments affected by market risk include Accounts Payables and Receivables, loans and borrowings.

The sensitivity analyses in the following sections relate to the positions as at 31 December in 2013 and 2012.

These sensitivity analyses 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 31 December 2013.

The analysis excludes the impact of movements in market variables on; the carrying values of pension and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

The sensitivity of the relevant income statement item is the effect of the assumed changes in respective market risks.

Credit risk

The Company and Group deals only with recognised, creditworthy third parties. It is the Company and Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, debtors' balances are monitored on an ongoing basis, with the result that the Company 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 does not offer credit terms without the approval of the credit committee. With respect to credit risk arising from the other financial assets of the Company and Group which comprise cash and cash equivalents, refer to Note 22. The Company and Group 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 each class of financial asset mentioned in Note 21. The Company and Group does not hold collateral as security. The Company and Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

Interest 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 and Group exposure to the risk of changes in market interest rates related primarily to the Group's long term debt obligations with floating interest rates. To manage this, the Company and Group entered into interest rate swap arrangements, in which the Group agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2013, after taking into account the effect of interest rate swaps, approximately 100% of the Company and Group's long term borrowings are at a fixed rate of interest.

Hence, there is no sensitivity interest risk as the movement of the interest will not have any effect on the interest risk.

Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Company 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 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 liabilities is managed through prompt payment of outstanding liabilities and the forward purchase of foreign currencies.

Notes to the consolidated financial statements

for the year ended 31 December 2013

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).

	2013 Increase/decrease in the value of Tzs vs. other currencies	Effect on profit/ loss and equity Tzs'000	2012 Increase/decrease in the value of Tzs vs. other currencies	Effect on profit/ loss and equity Tzs'000
Increase/decrease in the value of Tzs vs. other currencies "Effect on profit/loss and equity Tzs'000"				
Net effect based on statement of financial position - Company	10%	21,900	10%	17,428
Net effect based on statement of financial position - Group	10%	23,871	10%	75,455

The Company and Group sensitive analysis has been determined based on Group net transaction exposure as at 31 December 2013, 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 is exposed as 31 December 2013 (2012) are summarised in the table below. (All amounts expressed in Tzs'000)

COMPANY 2013

	Exposure in USD	Exposure in EURO	Exposure in ZAR	Total in functional currency
ASSETS				
Trade and other receivables	497,696	-	-	497,696
Cash and cash equivalents	19,658,784	2,127,170	18,836	21,804,790
LIABILITIES				
Trade and other payables	2,189,614	-	153,737	2,343,351

COMPANY 2012

	Exposure in USD	Exposure in EURO	Exposure in ZAR	Total functional currency
ASSETS				
Trade and other receivables	74,770	-	-	74,770
Cash and cash equivalents	9,566,642	22,921,240	100,889	32,588,771
LIABILITIES				
Trade and other payables	240,796	-	173,003	413,799

Exchange rate during the year were as follows:

On 1 January 2013	1,571	2,074	185
On 31 December 2013	1,574	2,169	150
On 1 January 2012	1,566	2,027	191
On 31 December 2012	1,571	2,074	185

Notes to the consolidated financial statements

for the year ended 31 December 2013

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign Currency risk (Continued)

GROUP 2013

	Exposure in USD	Exposure in EURO	Exposure in ZAR	Total in functional currency
ASSETS				
Trade and other receivables	497,696	-	-	497,696
Cash and cash equivalents	19,658,784	2,127,170	18,836	21,804,790
LIABILITIES				
Trade and other payables	2,189,614	-	153,737	2,343,351

GROUP 2012

	Exposure in USD	Exposure in EURO	Exposure in ZAR	Total in functional currency
ASSETS				
Trade and other receivables	90,849	-	-	90,849
Cash and cash equivalents	9,796,618	22,921,240	100,889	32,818,747
LIABILITIES				
Trade and other payables	758,548	34,408	173,003	965,959
Exchange rate during the year were as follows:				
On 1 January 2013		1,571	2,074	185
On 31 December 2013		1,574	2,169	150
On 1 January 2012		1,566	2,027	191
On 31 December 2012		1,571	2,074	185

Liquidity risk

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 bank borrowings. The table summarises the maturity profile of the Group's financial liabilities at 31 December 2013 (2012) based on contractual undiscounted payments.

	On demand Tzs' 000'	Less than 3 months Tzs' 000'	More than 12 months Tzs' 000'	3 to 12 months Tzs' 000'	Total Tzs' 000'
Balance as at 31 December 2013					
Bank overdraft	-	-	-	-	-
Trade and other payables	164,966	19,004,486	-	-	19,169,452
	164,966	19,004,486	-	-	19,169,452
Balances as at 31 December 2012					
Interest-bearing loans & borrowings	-	-	-	-	-
Bank overdraft	911,922	-	-	-	911,922
Trade and other payables	285,805	24,046,471	-	-	24,332,276
	1,197,727	24,046,471	-	-	25,244,198

37. 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. These ex-employees are claiming various termination employment benefits aggregating to over Tzs 361 million (2012: Tzs 377 million).

As at 31 December 2013, there is a contingent liability of Tzs 553 million to the commissioner of large taxpayer relating to volume rebates. The Group appealed to the tribunal board's ruling board which ruled in favour of the Group. The Tanzania Revenue Authority has appealed against the tribunal board's ruling.

As at 31 December 2013, the Company was a defendant in several lawsuits. The plaintiffs are claiming damages and interest thereon for losses caused by the Group due to breaches of contracts and unlawful termination of employment. The Group has filed counter-claims against the plaintiffs. The total principal amount claimed in the various lawsuits approximates to Tzs 374 million (2012: Tzs 374 million). In the opinion of the Directors and the Group's legal counsel, no material liabilities are expected to crystallise from these lawsuits.

38. EVENT AFTER REPORTING DATE

No material events have occurred which are either to be disclosed or to be adjusted in the consolidated financial statements.

39. ULTIMATE HOLDING COMPANY

The immediate holding company of the Group is AfriSam (Mauritius) Investment Holdings Limited. The Ultimate holding company is AfriSam Group (Pty) Ltd incorporated in the South Africa.

40. INCORPORATION

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

41. CURRENCY

The consolidated financial statements are presented in thousands of Tanzanian Shillings (Tzs '000').

42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on the date shown on page 19. They are subject to approval by the members in the Annual General Meeting.



Quality is our Pride;

Our commitment to quality always stands out. This was evident by the presentation of Award by NBAA for the Best presented Financial Statements in 2012.

First winner in Manufacturing category 2012

ANNUAL REPORT **2013**

Notice to Members

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

Notice is hereby given that the twentieth Annual General Meeting of the shareholders of Tanga Cement Company Limited will be held at Hyatt Regency Dar es Salaam, The Kilimanjaro, on Thursday 22 May 2014 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 nineteenth Annual General Meeting held on 17 May 2013.

3. Financial Statements and Directors' Report

To receive and adopt the Financial Statements and Directors' report for the year ended 31 December 2013.

4. Dividend for the year ended 31 December 2013

To approve the declaration of the dividend for the year ended 31 December 2013.

5. Appointment of Directors

To appoint new Directors to the Board.

6. Appointment of Statutory Auditors

To approve the appointment of the Statutory Auditors for the year ending 31 December 2014.

7. 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 Board Resolution to appoint the proxy. These 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 depository receipt and identification card for registration purposes.

By order of the Board.



David Lee
Company Secretary
22 April 2014

TAARIFA YA MWAKA **2013**

Taarifa Kwa Wanachama

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

Taarifa inatolewa kwa wanahisa kwamba Mkutano Mkuu wa Mwaka wa ishirini wa wanahisa wa Kampuni ya Tanga Cement utakaofanyika Hoteli ya Hyatt Regency Dar es Salaam, The Kilimanjaro, Alhamisi tarehe 22 Mei 2014 kuanzia saa 8 mchana kwa madhumuni yafuatayo:

1. Taarifa ya Mkutano

Taarifa ya kuitisha mkutano ichukuliwe kama inavyosomeka.

2. Kupitisha Kumbukumbu

Kupitisha na kusaini kumbukumbu za Mkutano Mkuu wa Mwaka wa kumi na tisa uliofanyika tarehe 17 Mei 2013.

3. Taarifa za Fedha na Ripoti za Wakurugenzi

Kupokea na kupitisha Taarifa za Fedha na ripoti za Wakurugenzi kwa mwaka ulioishia tarehe 31 Desemba 2013.

4. Gawio kwa Mwaka Ulioishia tarehe 31 Desemba 2013

Kuidhinisha taarifa maalumu ya gawio kwa mwaka ulioishia tarehe 31 Desemba 2013.

5. Uchaguzi wa Wakurugenzi

Kuchagua Wakurugenzi wapya wa Bodi.

6. Uchaguzi wa Wakaguzi wa Hesabu Wanaokubalika Kisheria

Kuidhinisha uchaguzi wa wakaguzi wa hesabu wanaokubalika kisheria kwa mwaka unaoishia tarehe 31 Desemba 2014.

7. Majumuisho

Mengineyo.

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

Kwa agizo la Bodi.



David Lee
Katibu wa Kampuni
22 Aprili 2014



REGISTERED OFFICE

Tanga Cement Company Limited

Korogwe Road, Pongwe Factory Area

P O Box 5053, Tanga, Tanzania

Tel: +255 27 2644500-3/2610604

Mob: +255 784 644500

+255 715 644500

Fax: +255 27 2646148

Website: www.simbacement.co.tz

Dar es Salaam office:

3rd Floor, Coco Plaza, 254 Toure Drive

P O Box 78478, Dar es Salaam, Tanzania

Tel: +255 22 2602778-9/2602784

Mob: +255 685 602784

Fax: +255 22 2602785

Email: info@simbacement.co.tz