



**ANNUAL REPORT**  
TAARIFA YA MWAKA

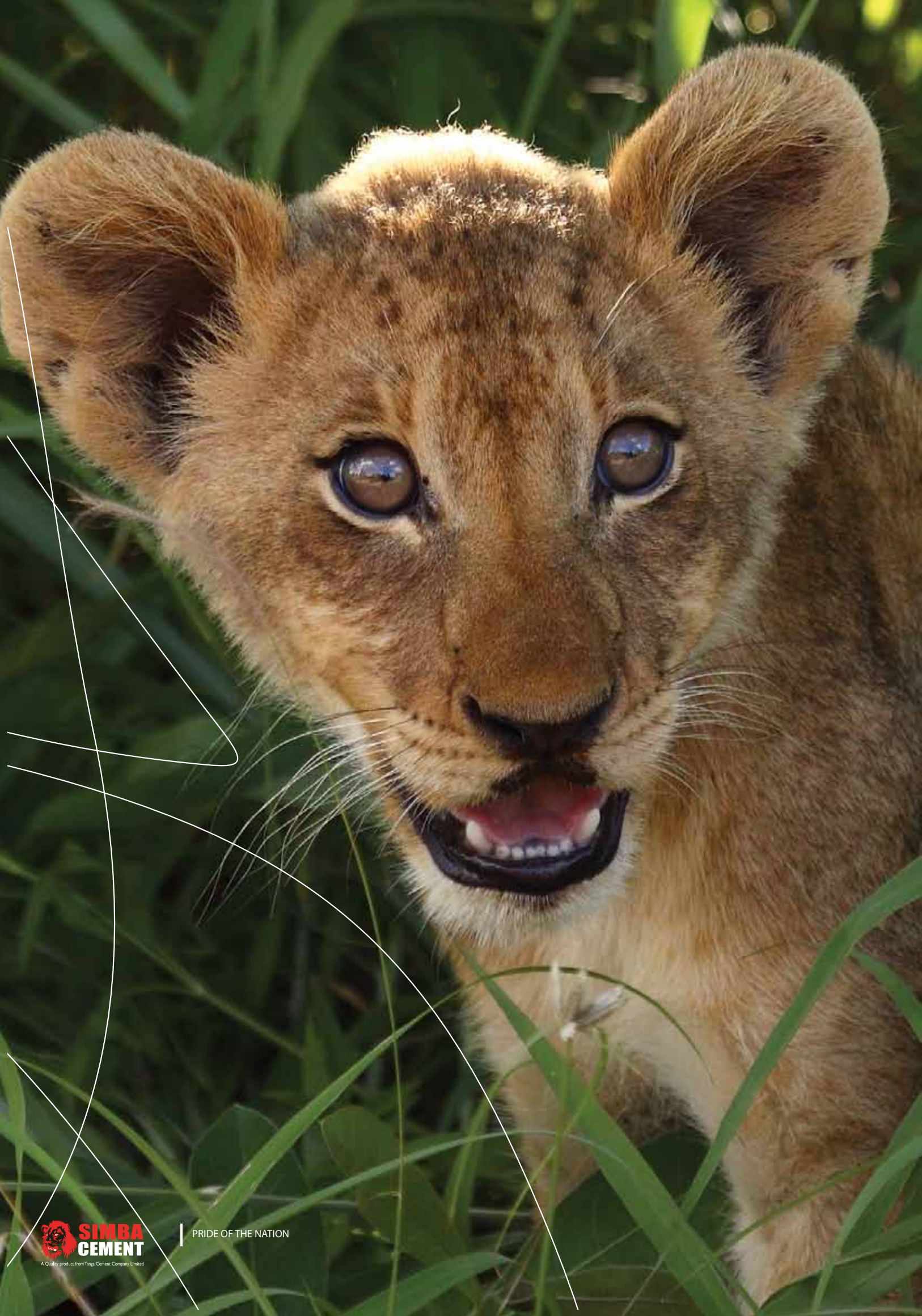
**2012**



**SIMBA  
CEMENT**

PRIDE OF THE NATION

A Quality product from Tanga Cement Company Limited



A Quality product from Tanga Cement Company Limited

PRIDE OF THE NATION



PRIDE OF THE NATION



A Quality product from Tingo Cement Company Limited

# ANNUAL REPORT 2012

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PRIDE OF THE NATION

**SIMBA  
CEMENT**  
A Quality product from Tanga Cement Company Limited

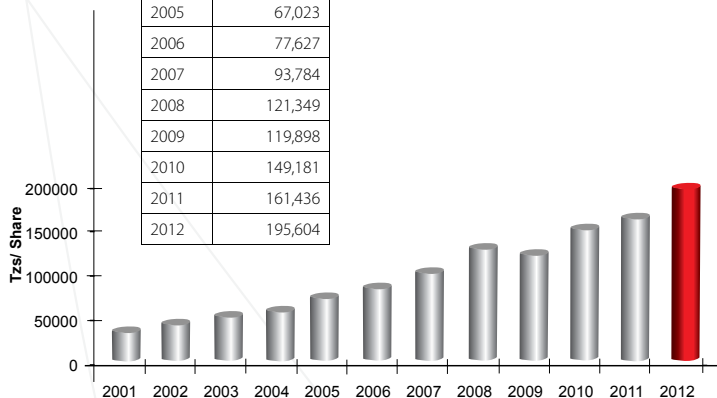
# ANNUAL REPORT 2012

## Financial Summary

Dividend per share: 2011 : Tzs 86  
2012 : Tzs 100

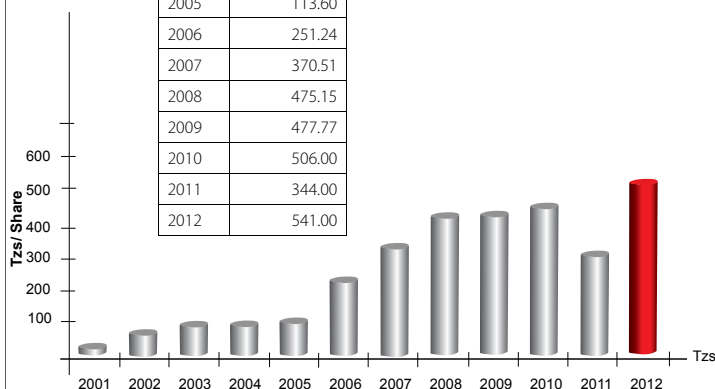
### Revenue

Year	Tzs billions
2001	28,892
2002	40,362
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



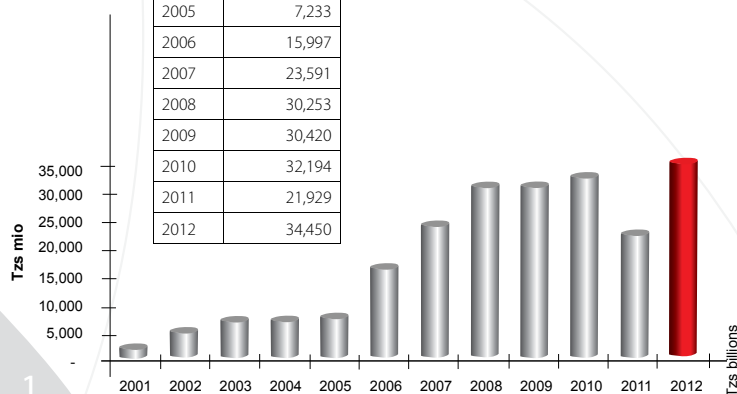
### Earning per share

Year	Tzs
2001	26.82
2002	73.50
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



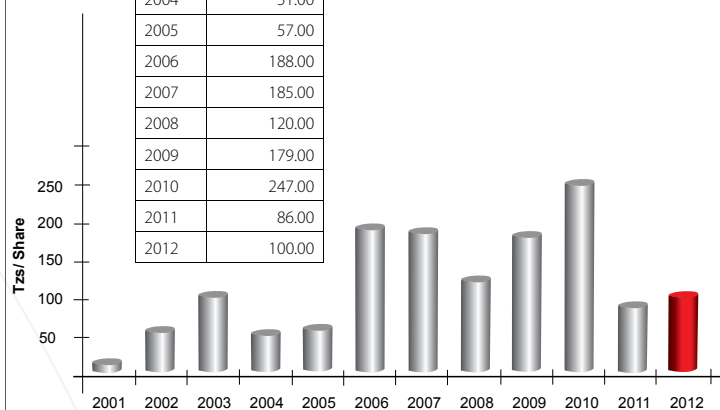
### Profit after taxation

Year	Tzs billions
2001	1,708
2002	4,680
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



### Dividend per share

Year	Tzs
2001	13.40
2002	55.00
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



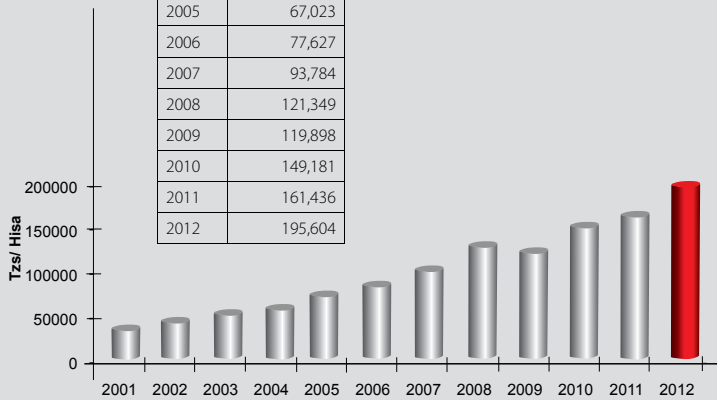
# TAARIFA YA MWAKA 2012

## Vidokezo Vya Mapato

Gawio kwa hisa: 2011 : Tzs 86  
2012 : Tzs 100

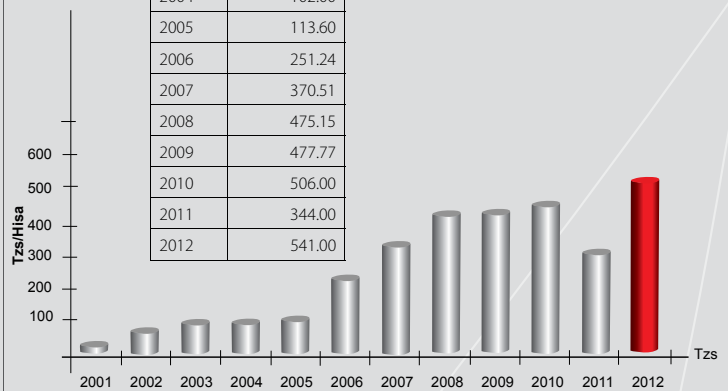
### Mapato

Mwaka	Tzs billioni
2001	28,892
2002	40,362
2003	50,888
2004	54,352
2005	67,023
2006	77,627
2007	93,784
2008	121,349
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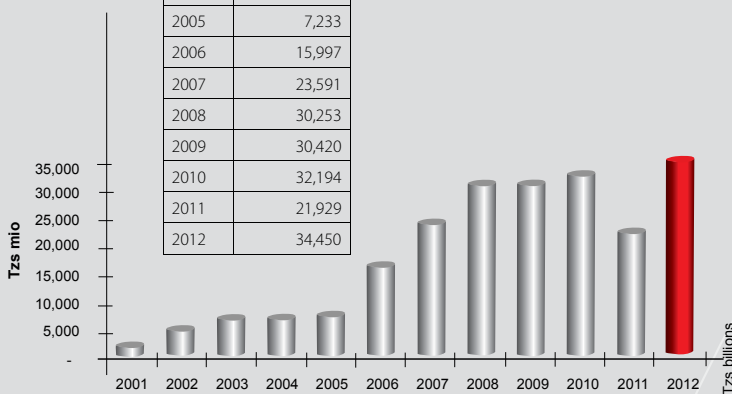
### Mapato kwa Hisa

Mwaka	Tzs
2001	26.82
2002	73.50
2003	101.00
2004	102.00
2005	113.60
2006	251.24
2007	370.51
2008	475.15
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2010	506.00
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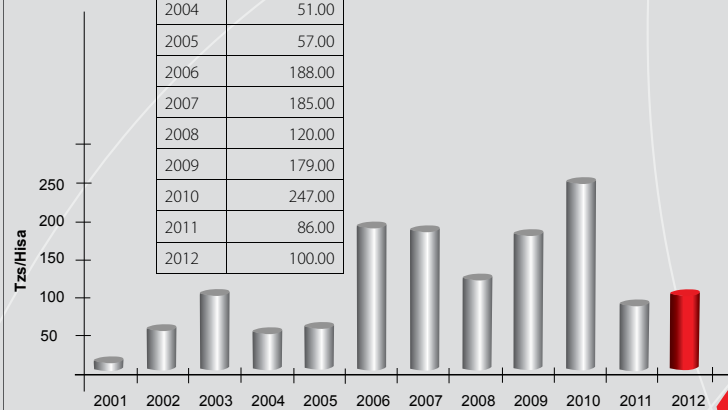
### Faida baada ya Kodi

Mwaka	Tzs billions
2001	1,708
2002	4,680
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



### Gawio kwa Hisa

Mwaka	Tzs
2001	13.40
2002	55.00
2003	100.00
2004	51.00
2005	57.00
2006	188.00
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2008	120.00
2009	179.00
2010	247.00
2011	86.00
2012	100.00



## Directors' Profiles

Maelezo mafupi kuhusu  
Wakurugenzi

**Prof Samuel Wangwe (64)**  
**Acting Chairman (Non-executive)**  
Tanzanian

- Ph.D (Economics), BA (Economics),
- Executive Director of REPOA, a policy think tank on development challenges,
- He has published extensively.



**Kaimu Mwenyekiti (Si-Mtendaji)**  
Mtanzania

- Ph.D (Uchumi), BA (Uchumi),
- Mkurugenzi Mtendaji wa REPOA,
- Mtaaluma na Mshauri wa sera kuhusu changamoto za maendeleo,
- Amechapisha kazi nyingi.

**Dr Stephan Olivier (53)**  
**(Non-Executive)**  
South African

- Ph.D (Biochemistry),
- 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)**

Mwafrika Kusini

- Ph.D (Biochemistry),
- Afisa Mtendaji Mkuu wa AfriSam,
- Amewahi kushika nyadhifa mbalimbali katika kampuni ya AfriSam ikiwamo cheo cha Mkurugenzi wa Masoko na Afisa Msimamizi mkuu,
- Ni mjumbe wa kamati ya usimamizi ya umoja wa wazalishaji wa malighafi za saruji tangu mwaka 2006 na amekuwa ni mjumbe wa kamati ya ufundi ya Holcim tangu mwaka 2004.

**Erik Westerberg (60)**  
**Managing Director**  
Swedish

- Mechanical Engineer,
- Previously worked with Heidelberg Cement Group in Nigeria and Ghana,
- He also worked for many years with SKF Africa as the regional Manager for Sub-Saharan Africa.



**Mkurugenzi Mtendaji**  
Mswidi

- Mhandisi Mitambo,
- Alifanya kazi na Heidelberg Cement Group nchini Nigeria na Ghana,
- Pia alifanya kazi kwa miaka mingi na SKF Africa kama Meneja wa Kanda katika nchi za Afrika kusini mwa Jangwa la Sahara.

**Cornelius Kariwa (52)**  
**(Non-Executive)**  
Tanzanian

- LLB (Hons)
- A lawyer and has been a practicing advocate since 1994,
- He is a founding partner and Managing counsel of a law firm Kariwa & Co. Advocates,
- Currently is the Chairperson of the Association of Tanzania Employers (ATE).



**(Si Mtendaji)**

Mtanzania

- LLB (Hons)
- Mwanasheria na amekuwa Wakili tangu mwaka 1994,
- Pia ni M-bia Mwanzilishi na Mshauri Mtendaji wa Ofisi ya Sheria ya Kariwa & Co. Associates,
- Kwa sasa ni Mwenyekiti wa Chama cha Waajiri Tanzania (ATE).

**Khadija Simba (67)**  
**(Non-Executive)**

Tanzanian

- Entrepreneur, founder and Managing Director of Kays Hygiene Products Limited,
- Founder and Managing Director of Diamond Distributors Services Limited,
- Serves on various boards, committees and councils including the TCCIA, CTI, TPSF, TNBC, COSTECH, EADB, Commercial Court Users Committee and Tanzania Women's Bank Limited.



**(Si Mtendaji)**

Mtanzania

- Mjasiriamali, mwanzilishi na Mkurugenzi Mtendaji wa Kays Hygiene Products Limited,
- Mwanzilishi na Mkurugenzi Mtendaji wa Diamond Distributor Services Limited,
- Mjumbe kwenye bodi, kamati mbalimbali na Halmashauri ikiwa ni pamoja na TCCIA, CTI, TPSF, TNBC, COSTECH, EADB, kamati ya watumiaji ya Mahakama ya Biashara pamoja na Benki ya Wanawake Tanzania.

**Duncan Matshoba (48),**  
**(Non-Executive)**

South African

- BCom, BCompt (Hons), CTA,
- Chief Financial Officer of AfriSam,
- Prior to joining AfriSam Duncan held the positions of General Manager - Operations and Credit Risk at Nedbank, as well as Associate Director at PricewaterhouseCoopers and the Chief Financial Officer for the Royal Bafokeng Resources (Pty) Limited.



**(Si Mtendaji)**

Mwafrika Kusini

- BCom, BCompt (Hons), CTA,
- Afisa Mkuu wa Fedha wa Fedha wa AfriSam,
- Kabla ya kujiunga na AfriSam Duncan alifanyakazi katika benki ya Nedbank kwa nafasi ya Meneja Mkuu - Uendeshaji na Dhima ya Mikopo, pamoja na Mkurugenzi Mshiriki PricewaterhouseCoopers na Afisa Mkuu wa Fedha katika Royal Bafokeng Resources (Pty) Limited.

**David Lee (55)**  
**Company Secretary**

British

- FCCA
- Chief Financial Officer. Prior to joining the company: David 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, as well as Regional Finance Director SKF Sub-Sahara region.



**Katibu wa Kampuni**

Mwingereza

- FCCA,
- Afisa Mkuu wa Fedha wa Kampuni,
- Kabla ya kujiunga na Kampuni, David 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, pamoja na Mkurugenzi wa Fedha wa kanda wa SKF Sub-Sahara.

**Khamis Mussa Omar (48)**  
**(Non-Executive)**

Tanzanian

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



**(Si-Mtendaji)**

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.

## Chairperson's Statement

“The board has recommended a final dividend of Tzs 55 per share (2011: Tzs 47), amounting to a total final dividend of Tzs 3.5 billion.”

The past year was characterised by changing trading conditions in the local market. Although the economy of Tanzania continued to grow during the period under review and the macro-economic environment was favourable, the competitive landscape presented new challenges, with increased competition from new manufacturers as well as an increase in cement imports.

Despite these challenges Tanga Cement Company Limited (TCCL) posted excellent results, underpinned by a 12% increase in sales volumes. Including a 55% increase in exports, total sales revenues grew by 21%. The sales volume increase marks a significant milestone for TCCL, being the first time the company has sold over one million tons of cement in a single year.

I would like to commend the management and staff of TCCL for this remarkable achievement and urge them to keep up the excellent performance.

### Macro-Economic Overview

The macro-economic environment remained positive, with high demand for product both locally and from export markets. This despite increased imports which are lower-priced, posing stiff competition for TCCL's locally-manufactured product. Our high-quality product and strong customer base helped us to hold our own in this competitive environment. TCCL is continuing to focus on quality and service offerings in order to maintain market share and sales performance.

Inflation declined significantly compared to last year but remained high at 12.1% (2011: 19.2%), while the stable exchange rate helped to contain our import costs.

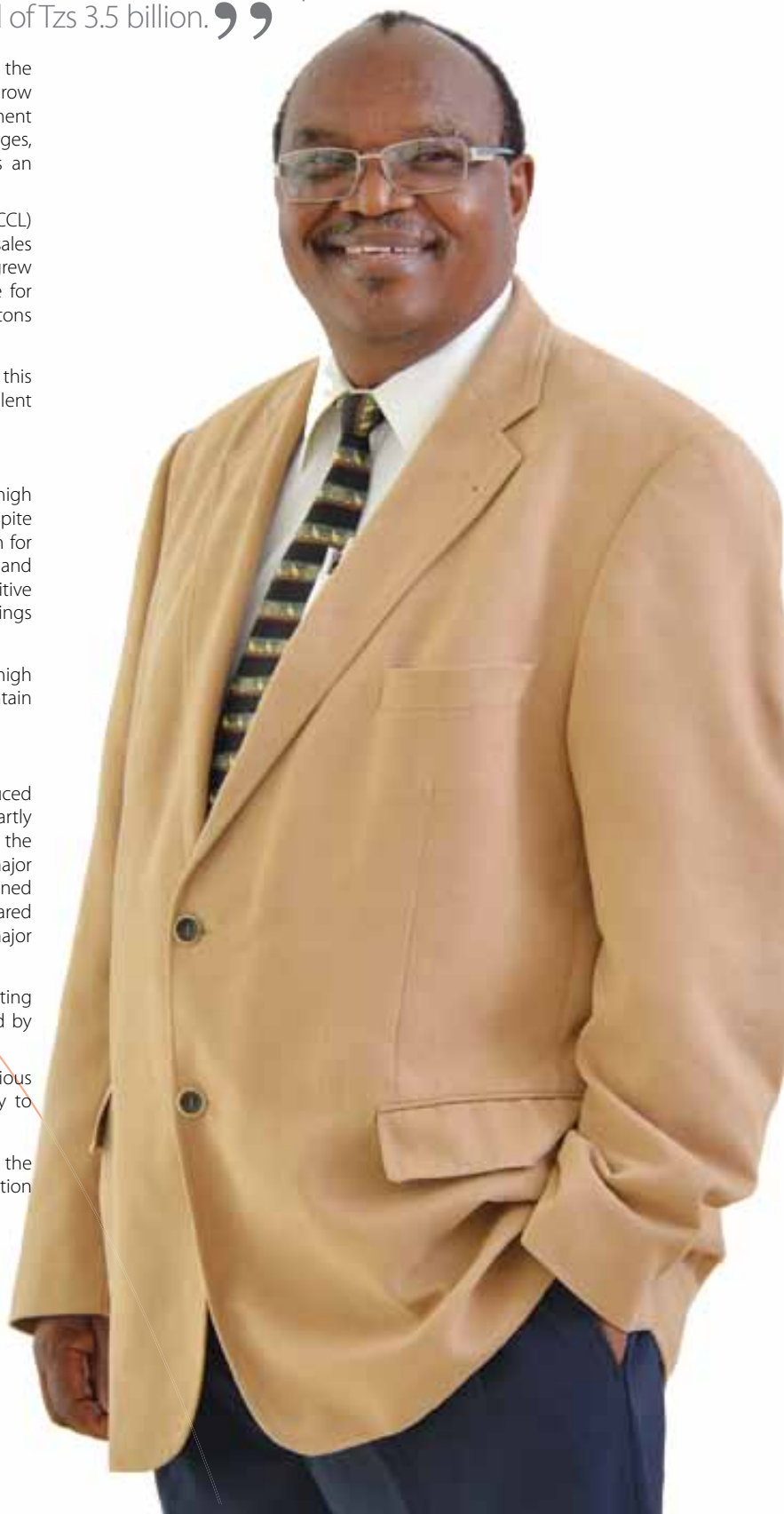
### Operational Overview

Improved operational efficiencies resulted in substantially reduced maintenance costs. This reduction in maintenance costs was partly responsible for the 26% increase in the company's gross profit for the year. 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 9.6% compared to last year, when the kiln was stopped for almost six weeks for major refurbishment work.

Overhead costs were strictly controlled and the company's operating profit for the year increased by 34%. Net profit after tax increased by 52%.

The electricity supply improved significantly compared to the previous year. The company only had to use its own generating capacity to produce 1.91% of its requirement, compared to 6.95% during 2011.

Transportation of product by rail was reduced by 50% due to the declining service level available. This substantially increased distribution costs as the company's reliance on road transport increased.



## Chairperson's Statement

### Future Outlook

As reported in my mid-year statement, the boards of both TCCL and the company's majority shareholder, AfriSam, have 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, eliminating the need to import clinker and thus substantially reducing production costs in future while responding to growing demand.

Although there has been a delay in the commencement of the expansion project due to unfavourable ground conditions encountered at the original planned site, these have now been addressed. The new kiln has been moved to a new site and with the necessary funding firmly in place, construction is expected to commence in mid-2013, with commissioning scheduled for 2015.

Once completed, the kiln will increase the company's clinker production capability by 600,000 tons per annum, more than double current clinker capacity. This additional capacity is expected to satisfy the consistently high demand for cement from both the Tanzanian market and markets beyond the country's borders into the immediate future.

### Dividends

The board has recommended a final dividend of Tzs 55 per share (2011: Tzs 47), amounting to a total final dividend of Tzs 3.5 billion. This brings the accumulated dividends for the year to Tzs 100 per share (2011: Tzs 86), a total of Tzs 6.4 billion for the full year.

### Closure of Share Register

The register of members will close on 06 May 2013. The last day of trading cum-dividend will be 25 April 2013 and the final dividend will be paid on or about 31 May 2013.

### Conclusion

With the economies of Tanzania and the East African region forecast to continue to grow at above 6% per annum and with the new kiln expected to start production in 2015, the company is in a strong position to take full advantage of the growing markets in Eastern Africa.



Prof. Samuel Wangwe  
Acting Chairperson

# TAARIFA YA MWAKA 2012

## Waraka wa Mwenyekiti

“Bodi imependekeza gawio la Sh 55 kwa kila hisa (2011: Sh 47), kiasi cha jumla cha mgawo wa Sh bilioni 3.5.”

### Historia ya Utendaji katika Mauzo

Katika kipindi cha mwaka jana kulikuwa na mabadiliko ya hali ya kibiashara katika soko la ndani. Ingawa uchumi wa Tanzania umeendelea kukua kwa kipindi hicho na mazingira ya uchumi yalikuwa mazuri, mazingira ya ushindani yalileta changamoto mpya, na kuongezeka kwa ushindani kutoka kwa wazalishaji wapya na vilevile kuongezeka kwa uingizaji wa saruji toka nje ya nchi.

Pamoja na changamoto zilizopo Kampuni ya Tanga Cement (TCCL) imetoa faida bora zaidi, kwa ongozoko la asilimia 12 ya mauzo. Ikiwa ni pamoja na ongozoko la asilimia 55 katika mauzo ya nje, mapato yote ya mauzo yaliongezeka kwa asilimia 21. Kiasi cha mauzo kiliongezeka na kuiweka TCCL katika hatua muhimu, na kuifanya kampuni kwa mara ya kwanza kuuza zaidi ya tani milioni moja za saruji katika mwaka mmoja.

Napenda kuupongeza Uongozi na Wafanyakazi wa TCCL kwa mafanikio haya tuliyojipatia na kuwahimiza kuendeleza utendaji kazi ulio bora.

### Mapitio ya uchumi

Mazingira ya uchumi yameendelea kuwa chanya, kukiwa na mahitaji ya juu kwa bidhaa zote za ndani na kutoka masoko ya nje. Licha ya ongozoko la uagizaji wa saruji toka nje ambazo ni za bei ya chini, zilileta ushindani mkubwa kwa Kampuni ya TCCL, saruji yetu yenye ubora wa hali ya juu na kuwa na msingi imara wa wateja vimetusaidia kusimama katika mazingira haya ya ushindani ili kuendelea kudumisha soko na mauzo bora.

Mfumuko wa bei umepungua ukilinganishwa na mwaka jana lakini ulibakia juu kwa asilimia 12.1 (2011: 19.2%), huku shilingi ya Tanzania ikiendelea kuimarika dhidi ya fedha za kigeni na kusaidia kupunguza gharama ya uagizaji toka nje ya nchi.

### Mapitio ya Utendaji

Kuboreshwa kwa mitambo kuliongeza ufanisi wa kazi na kusababisha gharama ya matengenezo kupungua kwa kiasi kikubwa. Kupungua kwa gharama za matengenezo kulisaidia ongozoko la asilimia 26 la faida ya kampuni kwa mwaka. Tanuru ilifanya vizuri katika kipindi chote cha mwaka na hakukuwa na matengenezo makubwa, ukitoa muda ambao ilisimamishwa kupisha matengenezo yaliyopangwa. Uzalishaji wa klinka uliongezeka kwa asilimia 9.6 ukilinganishwa na mwaka jana, kipindi ambacho tanuru ya uzalishaji ilisimamishwa kwa muda wa wiki sita kwa ajili ya ukarabati mkubwa.

Gharama za uendeshaji ziliendeshwa kwa umakini na faida ya uendeshaji wa kampuni kwa mwaka iliongezeka kwa asilimia 34. Faida baada ya kodi iliongezeka kwa asilimia 52.

Ugavi wa umeme uliborekwa ukilinganisha na mwaka uliopita. Kampuni ilibidi kutumia chanzo binafsi kuzalisha asilimia 1.91 ya mahitaji yake, ukilinganisha na asilimia 6.95 katika kipindi cha mwaka 2011.

Usafirishaji wa saruji kwa reli ulipunguzwa kwa asilimia 50 kutokana na kiwango cha huduma zinazopatikana. Hii imesababisha kuongezeka kwa gharama za usambazaji kutokana na kampuni kutegemea zaidi usafiri wa barabara.



## Waraka wa Mwenyekiti

### Matarajio ya baadae

Kama ilivyoripotiwa katika taarifa yangu ya katikati ya mwaka, bodi zote, ya TCCL na ya wanahisa wakuu, AfriSam, zilipitisha ujenzi wa tanuru la pili kiwandani Tanga. Hii itaipa TCCL uwezo wa kutosha wa kuzalisha mahitaji yake ya klinka yenyewe na kuondoa haja ya kuagiza klinka na hivyo kwa kiasi kikubwa kupunguza gharama za uzalishaji katika siku zijazo, pindi mahitaji ya saruji yanapo ongezeka.

Ingawa kumekuwa na kuchelewa kuanza kwa mradi wa upanuzi kutokana na hali mbaya ya ardhi iliyojitokeza katika eneo la awali lililopangwa, kwa sasa ufumbuzi umepatikana. Tanuru mpya imehamishiwa kwenda eneo jipya na kukiwa na msingi wa utafutaji wa fedha ulio imara, ujenzi unatarajiwa kuanza katikati ya mwaka 2013, na unategemea kukamilika ifikapo mwaka 2015.

Mara baada ya kukamilika, Tanuru itaongeza uwezo wa uzalishaji wa klinka wa tani 600,000 kwa mwaka, zaidi ya mara mbili ya uwezo wa klinka wa sasa. Uwezo huu wa ziada unatarajiwa kukidhi mahitaji ya mara kwa mara ya saruji kwa soko la Tanzania na masoko ya nje ya mipaka ya nchi katika siku chache zijazo.

### Gawio

Bodi imependekea gawio la mwisho la Sh 55 kwa kila hisa (2011: Sh 47), kiasi cha jumla cha mgawo wa Sh bilioni 3.5. Hii inalea kusanyiko la gawio kwa mwaka kuwa shilingi 100 kwa kila hisa (2011: Sh 86), jumla ya Sh bilioni 6.4 kwa mwaka mzima.

### Kufungwa kwa Rejesta ya Hisa

Rejista ya wanachama itafungwa ifikapo tarehe 6 Mei 2013. Siku ya mwisho ya biashara na gawio itakuwa tarehe 25 Aprili 2013 na gawio la mwisho litalipwa tarehe 31 Mei 2013.

### Hitimisho

Uchumi wa Tanzania na wa kanda ya Afrika Mashariki unatabiriwa kuendelea kukua kwa asilimia (6%) kwa mwaka na tanuru mpya inatarajiwa kuanza kuzalisha ifikapo mwaka 2015, kampuni ipo katika nafasi nzuri ya kutumia mwanya wa ukuaji wa masoko katika Afrika Mashariki.



Prof. Samuel Wangwe  
Kaimu Mwenyekiti

## Managing Director's Report

“The company is now producing clinker at 100% of capacity, so the increase in cement production relied entirely on expensive imported clinker, increasing raw material costs by 33% since last year.”

### Sales

The Tanzanian economy continued to grow at a healthy rate during 2012, setting a positive scene for TCCL's performance. The company, through its reputable Simba brand cement, increased sales volumes by 12% compared to 2011 - a growth rate well above that of the total Tanzanian cement market.

Good economic growth was also recorded elsewhere in the East African Community and the company's export operations in Rwanda and Burundi increased sales by 55% compared to the previous year.

This is remarkable performance, considering the turbulent market environment, with a number of external factors negatively impacting our operations. In addition to increased competition from new manufacturers starting production in Tanzania, we experienced increasing quantities of cement being imported from countries offering their manufacturers generous export incentives.

### Profit

The company is now producing clinker at 100% of capacity, so the increase in cement production relied entirely on expensive imported clinker, increasing raw material costs by 33% since last year. Changes to the basis of the government's mining levy regulations resulted in royalty increases of 175% on locally quarried inputs, which together with the 40% increase in the price of electricity in April resulted in an increase of 59% in production expenses. Personnel costs increased by 21%, in line with inflation and including substantial long-service awards as a number of employees completed thirty years of service with the company. The continued deterioration of the railway network contributed to escalating distribution costs as the company was forced to rely increasingly on more expensive road transport.

Despite the challenges presented by the changing market conditions and increasing costs, TCCL delivered a sound financial performance, with the impressive volume growth resulting in a 21% increase in revenue. With overhead costs firmly under control and a stable exchange rate restricting imported cost increases, TCCL reported a 26% increase in gross profit and an operating profit up by 34%, resulting in an increase in net profit after tax of 52% compared to the previous year, which was negatively affected by essential maintenance to the kiln.

### Operations

For Tanga Cement 2012 was a truly remarkable year, with a number of new records being set.

In the area of safety, a key priority for TCCL, the company ended the year with a 0.67 Lost Time Injury Frequency Rate, which is an excellent performance by industry standards and an impressive improvement over the previous year.

Our clinker production reached the highest level ever in the company's history, with a kiln overall equipment efficiency of over 80%, again an excellent performance by industry standards. This improvement in our



## Managing Director's Report

operational efficiency helped us to set a new cement production record. The increased production was well supported by excellent cement sales, surpassing our targets and setting a new record of over one million tons of cement sold.

These are commendable accomplishments, taking into consideration the operational challenges which we faced during the year.

TCCL is also setting high standards in the industry in a number of other respects. The company has received the National Board of Accountants and Auditors' award for Tanzania's best presented annual report for the third time. This is a prestigious achievement and we pride ourselves on leading the way in excellent reporting. Additionally Simba Cement has been awarded Super Brand status as the best branded cement product in East Africa.

We salute our employees for their commitment and all the hard work they put in daily to support the company's drive for operational excellence.

### **Giving back to the community**

TCCL continued to invest in the community through its Corporate Social Investment programme, with the aim of maintaining its status as a good corporate citizen, uplifting Tanzanian communities and developing local infrastructure.

Our commitment to social development upholds the principles of giving back to the lives which the company touches, either directly or indirectly. This is done by supporting the long-term well-being of the communities in which the company operates.

In 2012 the company engaged in social projects in the areas of health, education, sustainable development and protection of the environment. During the year, the company spent a total of over Tzs 400 million on various community projects.

### **Future Prospects**

The positive market development experienced during the last decade, not only in Tanzania but in the entire region, is expected to continue into the foreseeable future.

With trade barriers being reduced between the various members of the East African Community, the region is moving closer to becoming a truly common market. This is expected to improve trading opportunities across national borders and enhance trade within the region, although it will also further increase competition.

With dedicated and experienced staff we are confident that TCCL is on track to face these challenges. In addition to our focus on high quality products and services, the company will soon start work on the construction of a second kiln, which will enable it to produce all its own clinker requirements. This will significantly reduce the company's production costs by eliminating the need for very expensive imported clinker, providing a distinct competitive advantage.



Erik Westerberg  
**Managing Director**

TAARIFA YA MWAKA **2012**

## Taarifa ya Mkurugenzi Mtendaji

“Kampuni kwa sasa inatengeneza klinka kwa kiwango cha asilimia 100, kwahiyo ongezeko la uzalishaji wa saruji lilitengemea zaidi klinka ya bei ya juu inayoagizwa, ongezeko la gharama ya malighafi kwa asilimia 33 toka mwaka jana.”

### **Mauzo**

Uchumi wa Tanzania umeendelea kukua kwa kasi mwaka 2012, nakufanya utendaji kuwa mzuri kwa TCCL. Kampuni kupitia chapa yake inayoaminika ya Simba Cement (Saruji), iliongeza mauzo kwa kiwango cha asilimia 12 ukilinganisha na mwaka 2011 – kiwango cha juu zaidi ya ukuaji wa soko la saruji nchini Tanzania kwa ujumla.

Ukuaji wa uchumi ulionekana pia katika Jumuiya ya Afrika Mashariki na utendaji wetu kwenye masoko ya nje ya Rwanda na Burundi kwa bidhaa zetu uliongeza mauzo kwa asilimia 55 ukilinganisha na mwaka uliopita.

Huu ni ufanisi mkubwa, licha ya kuwa katika mazingira yasiyotengemea kibiashara, kukiwa na mambo mbalimbali yanayokwamisha shughuli zetu. Pamoja na changamoto tunayoipata ya viwanda vipya vinavyofunguliwa na kuanza uzalishaji hapahapa Tanzania, tumekumbana na ongezeko la saruji zinazolingizwa nchini kutoka nchi ambazo wazalishaji wake wanapewa ruzuku kubwa kwaajili ya kuuza bidhaa nje ya nchi zao.

### **Faida**

Kampuni kwa sasa inazalisha klinka kwa kiwango cha asilimia 100, kwahiyo ongezeko la uzalishaji wa saruji lilitengemea zaidi klinka ya bei ya juu iliyoagizwa toka nje, ongezeko la gharama ya malighafi kwa asilimia 33 toka mwaka jana. Mabadiliko ya misingi ya serikali katika kodi na kanuni za madini zilisababisha ongezeko la mrabaha kwa asilimia 175 malighafi zilizochimbwa ndani, ambavyo pamoja na ongezeko la asilimia 40 la bei ya umeme mwezi Aprili vilisababisha ongezeko la asilimia 59 za gharama za uzalishaji.

Gharama za wafanyakazi ziliongezeka kwa asilimia 21 sambamba na mfumuko wa bei na ukijumlisha na tuzo kwa wafanyakazi waliofanya kazi na kufikisha miaka thelathini ya kuitumikia kampuni. Kuzorota kwa mtandao wa reli kumechangia kuongezeka kwa gharama za usambazaji ambazo zilisababisha kampuni kulazimika kutengemea zaidi usafiri wa barabara ambao ni wa gharama zaidi.

Licha ya changamoto zilizotokana na mabadiliko ya hali ya soko na kuongezeka kwa gharama, TCCL ilionyesha utendaji mzuri kifedha, pamoja na ukuaji wa kuvutia uliosababisha ongezeko la asilimia 21 katika mapato. Kudhibitiwa kwa gharama za uendeshaji na kutoyumba kwa viwango vya kubadilisha fedha za kigeni kulizuia ongezeko la gharama za uagizaji, TCCL ilitoa taarifa ya ongezeko la asilimia 26 la faida ghafi na faida ya uendeshaji kwa asilimia 34 iliyosababisha ongezeko la faida baada ya kodi kwa asilimia 52 ukilinganisha na mwaka uliopita, ambao haukuwa mzuri kutokana na matengenezo muhimu ya tanuru.



## Taarifa ya Mkurugenzi Mtendaji

### Uendeshaji

Kampuni ya Tanga Cement, 2012 ulikuwa mwaka mzuri, kukiwa na idadi ya rekodi mpya zilizowekwa.

Katika eneo la usalama, kipaumbele muhimu kwa TCCL, kampuni ilimaliza mwaka ikiwa na 0.67 ya kiwango cha muda wa kuumia, ambacho kimeonyesha utendaji bora kwa viwango vya sekta ya viwanda na maboresho zaidi ya mwaka uliopita.

Uzalishaji wetu wa klinka umefikia kiwango cha juu katika historia ya kampuni hii, kwa ufanisi wa vifaa vya tanuru kwa zaidi ya asilimia 80, umeonyesha tena utendaji bora kwa viwango vya sekta ya viwanda. Maendeleo haya katika ubora wa utendaji yametusaikia kuweka rekodi mpya ya uzalishaji wa saruji. Ongezeko la uzalishaji ulisaidiwa na mauzo mazuri ya saruji, kupita malengo yetu na kuweka rekodi mpya ya kuuza zaidi ya tani milioni moja ya saruji.

Haya ni mafanikio yanayohitaji pongezi, kwa kuzingatia changamoto za uendeshaji ambazo zimetukabili katika mwaka.

TCCL pia inajiweka katika viwango vya juu katika sekta ya viwanda na kujipatia heshima. Kampuni imepokea tuzo ya ripoti bora ya mwaka kwa mara ya tatu mfululizo kutoka kwa Bodi ya Taifa ya Wahasibu na Wakaguzi. Haya ni mafanikio ya kujivunia na tunajipongeza kwa kuongoza kutoa taarifa bora. Zaidi ya hayo Simba Cement imepokea tuzo ya Super Brand ikiwa kama bidhaa bora ya saruji katika Afrika Mashariki.

Tunawapongeza wafanyakazi wote, kwa kujituma na kwa kazi na bidii wanayoifanya kuhakikisha kampuni yetu inasonga mbele na kutoa bidhaa bora.

### Kusaidia Jamii

TCCL inaendelea kuwekeza katika jamii kupitia programu yake ya Uwekezaji wa Kijamii wa Kampuni (Corporate Social Investment), ikiwa na malengo ya kudumisha hadhi yake kama raia mwema, kuiendeleza jamii ya Kitanzania na kuendeleza miundombinu ya ndani.

Ahadi yetu kwa maendeleo ya kijamii inalenga kanuni za kutoa kwa jamii inayotuzunguka, iwe ana kwa ana au kwa njia nyingine tofauti. Hii inafanyika kwa kusaidia kwa kipindi cha muda mrefu jamii inayozunguka maeneo ambayo kampuni inafanya shughuli zake.

Mwaka 2012 kampuni ilishiriki katika miradi ya kijamii katika maeneo ya afya, elimu, maendeleo endelevu na ulinzi wa mazingira. Katika kipindi cha mwaka, kampuni ilitumia zaidi ya Sh milioni 400 katika miradi mbalimbali ya jamii.

### Matarajio ya Baadaye

Maendeleo chanya ya soko yalionekana katika kipindi cha muongo wa mwisho, si tu Tanzania peke yake, bali katika kanda nzima, inatarajiwa kuendelea kwa wakati ujao.

Pamoja na vikwazo vya kibiashara kupunguzwa kati ya wanachama mbalimbali wa Jumuiya ya Afrika Mashariki, tunazidi kuwa karibu na kulifanya kuwa soko la kuaminika. Hii inatarajiwa kuboresha fursa ya biashara kuvuka mipaka ya kimataifa na kuimarisha biashara ndani ya kanda ya Afrika mashariki, ingawa pia itaongeza zaidi ushindani.

Kukiwa na wafanyakazi wenye uzoefu wa muda mrefu tunaamini kwamba TCCL ipo katika hatua nzuri ya kuzikabili changamoto zitakazojitokeza. Mbali na mtazamo wetu juu ya ubora wa bidhaa na huduma, kampuni hivi karibuni itaanza kushughulikia ujenzi wa tunuru mpya, ambayo utawezesha uzalishaji wa mahitaji yake binafsi ya klinka. Hii itasaidia kwa kiasi kikubwa mahitaji yake binafsi ya klinka. Hii itasaidia kwa kiasi kikubwa kupunguza gharama za uzalishaji wa kampuni kwa kuondoa haja ya kuagiza kutoka nje klinka ya bei ghali, na kuleta ushindani wa kibiashara.



Erik Westerberg  
Mkurugenzi Mwendeshaji

# ANNUAL REPORT 2012

## Corporate Social Investment

As in previous years, Tanga Cement Company Limited continued to make significant community investments. This was done through our Corporate Social Investment program, with the aim of maintaining good corporate citizenship, uplifting Tanzanian communities and developing social infrastructure for those around us.

Our commitment to social development follows the principle of giving back to the lives that we touch, either directly or indirectly. This is done to ensure the long-term sustainability of the communities around us and beyond. The social infrastructure projects with which TCCL was involved in 2012 were in the areas of health, education, community development and the environment, these being the major focus areas of our CSI policy.

During the year, the Company spent a total of Tzs 405.8m on various community projects in the country, some of the main ones being:

### Arusha Technical College

This is an on-going project with the aim of assisting some of the practical activities at the college. The college received both cash and cement support from TCCL.

### Olchoroyokie Village School

The village school received twenty-five tons of cement from TCCL for its expansion project. The school is in the Arusha region.

### Tanga Police Force/Tanga Regional Business Fund Against Crime

This is Tanga CTI's outreach initiative which aims to make Tanga a safer place. TCCL, being a member of CTI, has been involved with this scheme by supporting the Tanga Police Force in various ways. The Company donated two motor cycles for the police force, bought new tyres for the police cars and renovated the police staff houses.

### Kichangani Village

The Company constructed the first and only village health centre for this neighbouring area, which is home to a number of our employees and contractors.

### Rosminian Health Centre

On World Blood Donor Day, TCCL arranged donated a blood bank to this health centre. At the same time sixty-nine TCCL employees donated blood to Bombo Regional Hospital and a total of fifty-nine units were provided.

### Medeye Secondary School

This new school needed to accommodate its secondary school students and was assisted by TCCL. The Company built a block of two classrooms and a block of two toilets and furnished the classrooms with seventy desks and chairs.

### Mughamo Secondary School

This school is in the Singida region. The Company assisted by building two classrooms, one block of two toilets and furnishing classrooms with seventy desks and chairs.

### Mangowe Primary School

This is one of many primary schools in the Mtwara region that is critically short of classrooms and desks. TCCL decided to assist this school after seeing the problems that the school is facing. Two classrooms, one block of toilets and pupils' desks were donated to the school.

### Beth Saida Secondary School

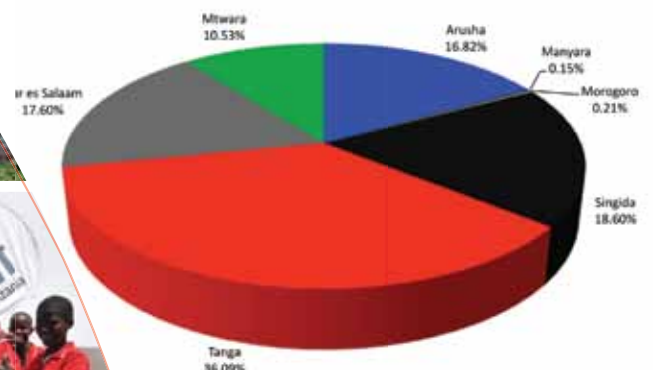
This is a secondary school for disadvantaged girls. Most of the girls in this school are orphaned and do not have any support apart from the school and donors. Being situated in a suburb of Dar es Salaam, the school is in need of teachers' houses within the school compound. TCCL supported this school by building a teacher's house.

### Raskazoni Women Group

The Company donated a total of twenty-seven mattresses to this women's group to support the Tanga Old Age Home. The home is facing various problems, one being a shortage of bedding materials.

In addition to these projects, TCCL has involved itself in various community development projects around the country by partnering with stakeholders in a number of areas. Cash donations have, however, been discouraged, as we believe giving cash does not ensure long term sustainability for a community. Instead, the Company has concentrated on putting up structures that can be used or shared by the whole local population.

The following chart shows the percentage of community support per region:



## TAARIFA YA MWAKA 2012

# Uwekezaji wa Kijamii wa Kampuni

Kama ilivyokuwa kwa miaka iliyopita, Kampuni ya Tanga Cement iliendelea kuwekeza katika mambo ya msingi kwa jamii. Hii ilifanyika kwa kupitia mpango maalum wa uwekezaji katika jamii kwa lengo la kudumisha ushirikiano na raia, kuiinua jamii ya kitanzania, kuendeleza miundombinu ya kijamii katika maeneo yanayotuzunguka na vilevile kudumisha muonekano mzuri wa kampuni yetu..

Ahadi zetu katika utendaji kwenye jamii zinazingatia kanuni ya kuwekeza kwenye maisha tunayoyagusa aidha moja kwa moja au vinginevyo. Hii inafanyika kuhakikisha kuendelea kudumu kwa jamii inayotuzunguka na zaidi ya hapo. Miradi ya miundombinu ya kijamii ambayo TCCL ilijihusisha nayo katika mwaka 2012 ipo katika maeneo ya Afya, Elimu, Maendeleo ya jamii endelevu na vile vile Mazingira, haya yakiwa ni mambo ya msingi ambayo tunayapa kipaumbele katika malengo na sera yetu ya kuwekeza katika jamii.

Katika kipindi cha mwaka huu, Kampuni imetumia jumla ya shilingi milioni 405.8 katika miradi mbalimbali ya jamii nchini, kama ifuatavyo:

### Chuo cha Ufundi Arusha

Huu ni mradi unaoendelea wenye lengo la la kusaidia baadhi ya shughuli za vitendo kwa ajili ya chuo. Chuo kimepokea pesa na msaada wa saruji kutoka TCCL

### Shule ya kijiji ya Olchoroyokie

Shule ya kijiji imepokea tani 25 za saruji kutoka TCCL kwa ajili ya upanuzi wa mradi wake. Shule ipo katika mkoa wa Arusha.

### Kikosi cha Polisi Tanga/ Mfuko wa kupambana na uhalifu Tanga

Hii ni jitihada ya CTI Tanga yenye lengo la kuufanya mkoa wa Tanga kuwa mahali salama. TCCL kama mwanachama wa CTI, imekuwa ikijihusisha na mpango huu kwa kuisaidia mamlaka ya Polisi kwa njia tofauti. Kampuni ilichangia pikipiki mbili kwa jeshi la Polisi, ilinunua matairi mapya kwa ajili ya gari za Polisi na kukarabati nyumba za askari Polisi.

### Kijiji cha Kichangani

Kampuni imejenga kituo cha afya kwenye kijiji hiki cha jirani. Hiki ni kituo cha kwanza na cha pekee kilichopo katika eneo hili. Mbali na kuweka mazingira ambayo huduma muhimu zinaweza kutolewa katika eneo hili, huduma hii na itawasaidia baadhi ya wafanyakazi wetu wanaotokea eneo hili, iwe wafanyakazi walioajiriwa au vibarua.

### Kituo cha Afya cha Rosmini na Hospitali ya Bombo

Siku ya mchangiaji damu duniani, TCCL ilitoa jokofu kwa ajili ya kuhifadha damu (banki ya damu) kwa kituo cha afya cha Rosmini na wakati huo huo wafanyakazi sitini na tano wa TCCL walichangia damu kwa ajili ya hospitali ya mkoa wa Bombo. Jumla ya lita za damu hamsini na tisa zilikusanywa.

### Mamlaka ya Mkoa, Tanga

Kampuni ya Tanga Cement ilichangia jumla ya mifuko 640 ya saruji kwa ajili ya kujengea mitambo ya gasi asilia eneo la pingoni mkoani Tanga. Mradi huu unawahusisha vijana wanaojihusisha na shughuli za kilimo na ufugaji na pia utunzaji wa mazingira..

### Shule ya Sekondari ya Medeye

Shule hii mpya iliyokuwa na mahitaji ya miundo mbinu kwaajili ya wanafunzi, ilisaidiwa na TCCL. Kampuni ilijenga jengo la madarasa Mawili, vyoo, pamoja na madawati 70 na viti.

### Shule ya Sekondari ya Mughamo

Shule hii ipo katika mkoa wa Singida. Shule inakabiliwa na uhaba wa madarasa, vyoo na madawati. Kampuni imeweza kusaidia shule hii kwa kujenga madarasa mawili, vyoo viwili na kununua madawati na viti 70.

### Shule ya Msingi Mangowele

Hii ni moja ya shule nyingi za msingi katika mkoa wa Mtwara ambayo ina matatizo makubwa ya madarasa na madawati. TCCL iliamua kusaidia shule hii baada ya kuona tatizo hilo kwa kujenga jengo la madarasa mawili, vyoo pamoja na madawati kwajili ya shule hii.

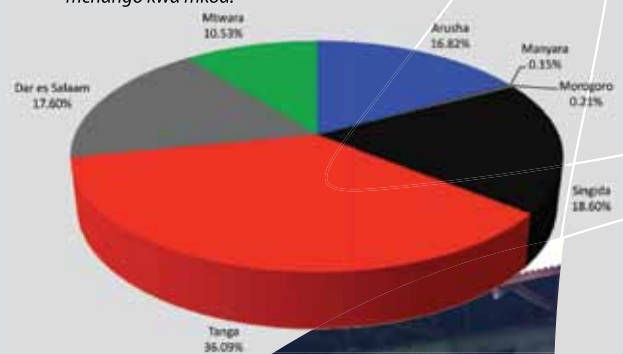
### Shule ya Sekondari Beth Saida

Hii ni shule ya sekondari kwaajili ya wasichana wasiojiweza. Wengi wa wasichana katika shule hii ni yatima na hawana msaada wowote mbali ya kuitegeme shule na wafadhili wengine. Shule ina uhitaji wa nyumba za walimu ndani ya eneo la shule. Kampuni ya Tanga Cement iliisaidia shule hii kwa kujenga nyumba ya mwalimu.

Mbali na miradi hiyo, TCCL imehujisisha na miradi mbalimbali ya maendeleo ya jamii nchini kote.

Kampuni ya Tanga Cement imekuwa ikisaidia jamii ya Tanzania kwa kushirikiana na wadau katika maeneo mbalimbali, hata hivyo michango ya fedha wamekuwa ikikatisha tamaa, kama tunvyoamini kutoa fedha hakahakikishi uendeleu wa muda mrefu kwa ajili ya jamii.

*Chati ifuatayo inaonyesha asilimia ya umri wa usambazaji wa mchango kwa mkoa:*



# Safety and Environment Usalama na Mazingira

*(i) 3 months old Eucalyptus and (ii) 2 years old Teak plantation in the adjacent and open areas of the factory*

*(i) Mikaratusi yenye umri wa miezi mitatu na (ii) mitiki yenye miaka miwili tangu ipandwe iliyo katika maeneo ya wazi ya kiwanda*



- Our safety performance in 2012 achieved a historical record, whereby in October we recorded 12 months without a lost time injury, hence a Lost Time Injury Frequency Rate (LTIFR) of zero over a 12 month period, and 0.65 by year end. Safety in Tanga Cement Company Limited is not only a priority but a VALUE, for which responsibility is shared by everyone on site - employees, contractors and visitors alike.
- We also achieved an important milestone in our environmental performance, following the upgrade of the ESP during the year. Emissions from the kiln stack have been reduced to 50mg/Nm<sup>3</sup> under normal conditions, comfortably below the current legal limit of 500mg/Nm<sup>3</sup> and well ahead of the legal deadline of December 2013, after which emissions may not exceed 50mg/Nm<sup>3</sup>.
- Validity of our ISO 14001 certification, held since 2004, was maintained, with internal environmental audits as well as external surveillance audits
- We continued with tree planting initiatives in our quarried landscapes and in the open areas of our property, where in May 2012 we planted over 10,000 eucalyptus trees. The 3,600 teak trees planted two years ago are now thriving.

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

- Mwaka 2012 Kampuni imeweka rekodi ya kihistoria kiusalama ambapo mwezi Oktoba tulifikisha miezi 12 bila ajali yoyote kiwandani, na wastani wa kipimo cha utendaji cha LTIFR cha 0.65 kufikia mwishoni mwa mwaka.
- Usalama sio tu ni kipaumbele, bali ni THAMANI, na wajibu wa kila mmoja kwenye eneo la kazi, ikiwa ni wafanyakazi, wakandarasi, na hata wageni.
- Upande wa mazingira pia tulifikia kiwango kizuri cha uchujaji vumbi kutoka kwenye tanuru, baada ya ukarabati na uboreshaji mtambo wa kuchuja vumbi (ESP) ambao kwa sasa umefikia kiwango cha mg 50, chini kabisa ya kiwango cha kisheria ambacho ni mg 500, ikiwa ni mwaka mmoja kabla ya kufikia muda uliowekwa kisheria wa Disemba 2013, uzalishaji/utoaji vumbi unapotakiwa usizidi 50mg/Nm<sup>3</sup>.
- Uhalali wa cheti chetu cha ISO 14001 cha ubora wa mazingira tulichokipata tangu mwaka 2004 uliendelezwa na kuimarishwa, kwa kaguzi mbalimbali za mazingira za ndani na nje.
- Mkakati wa upandaji miti uliendelezwa, katika maeneo ya wazi na ya kwenye machimbo, ambapo mwezi Mei 2012 tulipanda zaidi ya miti 10,000 aina ya mikaratusi, kando ya eneo lililopandwa zaidi ya mitiki 3600 miaka miwili iliyopita, ambayo kwa sasa inaendelea vizuri.

Juhudi zetu za kuboresha na kuendeleza masuala ya Mazingira na Usalama yanasukumwa na sera na shauku yetu ya **“KUJALI NA KUTHAMINI MAISHA YA VIUMBE”**

# Environmental Policy

Our actions today mould the future

## Policy

Tanga Cement Company Limited (TCCL) recognizes the universal right of the present and future generations to an environment that is not harmful to human well-being. We therefore conduct our operations in such a way that we minimize any potential adverse effects of the cement processes and products on the community, the environment, and ourselves. Tanga Cement believes that the best mechanism to ensure that this right is maintained is through the adoption of practices consistent with the goals of sustainable development, striving to obtain a balance between economic performance, social responsibility and environmental improvement.


In order to achieve these goals, the company will conduct its activities within the following strategy framework.

## Strategic Objectives

Tanga Cement Company Management is committed to:

1. Provide necessary resources to achieve these objectives.
2. Comply with applicable environmental legislation, regulations, and other requirements which relate to company environmental aspects.
3. Establish and maintain an environmental management system that complies with the requirements of the ISO 14001:2004.
4. Achieve continual improvement through the process of risk management, execution of performance assessments and implementation of improvement programmes.
5. Optimal utilization of resources through the reduction of waste and use of fossil fuels, use of renewable, recycled, and environmentally friendly resources.
6. Prevention of pollution and minimization of dust and noxious gas emissions.
7. Develop an emergency preparedness programme identifying potential environmental risks of Tanga Cement operational activities and products with the subsequent implementation and maintenance of risk mitigation measures.
8. Provide appropriate environmental training for all employees and contractors with a view to achieving the objectives of this policy.
9. Perform rehabilitation on all mining sites, concurrently and on closure of operations, in order to ensure a self-sustaining or positively usable landform for future generations.
10. Actively and openly participate in environmentally related dialogue with our stakeholders, including employees, contractors, the government, non-governmental organisations and representatives from community organisations.
11. Preferentially support and assist environmentally responsible suppliers of goods and services.

The TCCL Environmental Policy is a dynamic document that will be reviewed on a regular basis to take cognizance of improved environmental understanding and practice and be communicated to employees and contractors. It may also be viewed on [www.simbacement.co.tz](http://www.simbacement.co.tz).

<b>Issued by</b>		Revision Number	06
	Managing Director Erik Westerberg,	Date	17-09-2010



“...products are produced in accordance with Tanzania Cement Standard **TZS 721-1:2002 which is equivalent to East African standard for cement EAS 18-1:2001 and European Standard for cement EN 197-1:2000.**”

Since manufacturing commenced in 1980, the company has maintained the good and consistent quality of our Simba brand cement products. The success of this policy lies in:

- A well trained and motivated workforce, with the strength to change mentalities & realities.
- Modern process facilities and operations.
- A fully equipped laboratory with modern test equipment such as the X-ray Fluorescence Spectrometer which provides for high testing frequencies and the prompt correction of deviations

We have also formalised our quality controls into a quality assurance system, which provides evidence to establish that quality related activities are being performed effectively and that our cement products will set and develop strength according to the specified standards.

Production processes are periodically checked and reviewed in order to improve efficiency with the least possible impact on the environment.

Tanga Cement Company Ltd. has been ISO 9001 (Quality Management System) certified since August 2000. Our certification was renewed after a successful audit conducted by SGS-Tanzania in December 2012. The current certificate number is TZ09/2009 (ISO 9001:2008 edition) and is valid from 12th January 2013 to 12th January 2016, subject to satisfactory surveillance audits conducted twice per year.

#### **Our products**

Simba brand cement products are produced in accordance with Tanzania Cement Standard TZS 721-1:2002, which is equivalent to the East African Standard for cement EAS 18-1:2001 and the European Standard for cement EN 197-1:2000.

Currently we produce two types of cement for different applications:

#### **CEM II/B-L, 42.5N [SIMBA BORA]**

CEM II/B-L 42.5N is Portland composite cement with limestone additive. It is a high strength class cement and can be used in applications such as:

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

#### **CEM IV/B 32.5R [SIMBA IMARA]**

CEM IV/B 32.5R is Portland composite cement with pozzolana & limestone additives. It is a normal strength, all-purpose class cement, suitable for applications such as:

- Structural and non-structural casting, 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.

Tangu kuanza kwa utengenezaji saruji mwaka 1980, tumeweza kuendelea kutengeneza saruji ya chapa Simba. Siri ya mafanikio yetu inatokana na:

- Wafanyakazi waliopatiwa mafunzo bora na wanaojituma, ambao wana uwezo wa kubadili msimamo wa kimtazamo na uhalisia.
- Vifaa vya kisasa vya uzalishaji na uendeshaji mitambo
- Maabara yenye vifaa vya kisasa kwa ajili ya vipimo kama Mashine ya x-ray na vinginevyo vingi kwa ajili ya kuwezesha upimaji haraka wa mara kwa mara ili kuhakiki ubora wakati utengenezaji saruji unapokuwa ukifanyika.

Aidha tulishaboresha njia zetu za udhibiti ubora na kuziweka kimfumo unaoweza upatikanaji wa takwimu kuthibitisha kuwa kazi zote zenye kuhusiana zinafanyika kwa ufanisi na hivyo saruji itakayotengenezwa lazima itakidhi ubora unaotakiwa.

Michakato ya uzalishaji huwa inafanywa mapitio mara kwa mara kwa ajili ya kuona kama inahitaji kuboreshwa kuongeza ufanisi, bila kuwa na athari kubwa kwenye mazingira.

Kampuni ya Tanga Cement ina cheti cha kimataifa cha Mfumo wa uendeshaji bora wa Kampuni (ISO 9001) tangu mwezi Agosti 2000 kinachothibitishwa baada ya ukaguzi unaofanyika mara mbili kwa mwaka. Cheti kilichopo sasa ni chenye namba TZ09/2009 (ISO 9001:2008). Cheti chetu kilitolewa upya baada ya ukaguzi wenye mafanikio ulioendeshwa na SGS-Tanzania Disemba 2012, cheti kilichotolewa upya kitatumika kuanzia tarehe 12 Januari 2013 hadi tarehe 12 Januari 2016, na kitaendelea kutumika iwapo ukaguzi unaofanyika mara mbili kwa mwaka utathibitisha ufanisi mzuri katika kampuni.

#### **Bidhaa Zetu**

Bidhaa ya saruji chapa Simba inazalishwa kufuata viwango vya utengenezaji saruji Tanzania TZS 721-1:2002 ambavyo ni sawa na viwango vya saruji kwa Afrika Mashariki EAS 18-1:2001 na viwango vya Ulaya vya saruji EN 197-1:2000.

Kwa sasa tunazalisha aina mbili za saruji kwa ajili ya matumizi tofauti:

#### **CEM II /B-L, 42.5N [SIMBA BORA]**

CEM II /B-L 42.5N ni aina ya saruji iliyowekwa kiasi cha mawe chokaa. Ni saruji imara inayoweza kutumika kwa:

- Kujengea majengo na kwa shughuli zinginezo
- Kujengea misingi imara, mihimili, kuta ngumu n.k
- Kurekebisha kuta za viwanda, na matengenezo mengineyo.
- Maalum kwa ajili ya kutengeneza sakafu ya zege.

#### **Cem IV /B 32.5R [SIMBA IMARA]**

Cem IV /B 32.5R ni aina ya saruji iliyowekwa kiasi cha pozzolana. Ni saruji imara inayoweza kutumika kwa:

- Kutengeneza misingi ya nyumba, matofali, kuta n.k
- Kurekebisha kuta za viwanda, na matengenezo mengineyo
- Kujengea majengo na kwa shughuli zinginezo
- kwa ujenzi kwenye maeneo yenye udongo wenye chumvichumvi.
- kwa ajili ya kuchanganya na chokaa kwa ujenzi wa vitu mbailmbali.
- Kwa ajili ya kutengeneza sakafu maalum za chokaa.

# Quality Policy

Our actions today mould the future

## Policy


The vision of Tanga Cement Company Limited (TCCL) is to become the most admired, efficient and profitable cement operation within East Africa. In order to maintain our core values of integrity and a commitment to everything we do, we will consistently provide products and services inline with the requirements of our customers. This quality policy will guide behavior that aims to develop, implement and maintain a quality culture of customer satisfaction. To achieve this, the following objectives have been defined:

## Objectives

- TCCL management will provide employees with adequate resources in order to achieve the stated objectives.
- Comply with the requirements of the ISO 9001 : 2008 series of quality management system standard and the product requirements of the TZS 727:2002 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, measure the progress and review the achievement thereof.
- Audit and continually improve the effectiveness of TCCL's documented quality management system.
- Increase quality awareness throughout TCCL.
- Agree to key performance indicators which are directed towards quality performance, meeting long term business goals and personal growth.
- Communicate TCCL Quality Policy to stakeholders.

All TCCL employees will work together with management in the execution of this policy by acting upon non-conformities that have an impact on the quality of TCCL products and services.

*This policy will be reviewed on a periodic basis to ensure that it is best suited to realizing TCCL's long term business goals.*

<b>Issued by</b>		<b>Revision Number</b>	<b>04</b>
	Managing Director Erik Westerberg,	<b>Date</b>	<b>20-01-2011</b>



ANNUAL REPORT **2012**  
**Value Added Statement**  
 Taarifa ya Thamani  
 iliyoongezwa

for the year ended 31 December 2012

	2012 Tzs '000'	%	2011 Tzs '000'	%
<b>Value Added</b>				
Gross Turnover	195,603,983		161,435,718	
Other Income	79,806		120,390	
Other operating expenditure	(123,319,497)		(106,550,094)	
	<b><u>72,364,292</u></b>	<b>100</b>	<b><u>55,006,014</u></b>	<b>100</b>
<b>Revenue</b>				
To Employees	15,747,234	21.8	13,942,880	25.3
To Government-Corporate Income Tax	16,722,541	23.2	13,519,747	24.6
To Shareholders-Dividend	5,857,736	8.1	13,082,835	23.8
To Lending Institutions	211,483	0.3	613,577	1.1
To Expansion and Growth				
- Depreciation	5,133,902	7.1	5,001,140	9.1
- Retained Income	28,641,396	39.6	8,845,835	16.1
	<b><u>72,364,292</u></b>	<b>100</b>	<b><u>55,006,014</u></b>	<b>100</b>

Kwa mwaka ulioisha tarehe 31 Desemba 2012

	2012 Tzs '000'	%	2011 Tzs '000'	%
<b>Thamani iliyoongezwa</b>				
Pato Ghafi	195,603,983		161,435,718	
Mapato Mengineyo	79,806		120,390	
Matumizi mengine ya uendeshaji	(123,319,497)		(106,550,094)	
	<b><u>72,364,292</u></b>	<b>100</b>	<b><u>55,006,014</u></b>	<b>100</b>
<b>Mapato</b>				
Kwa Wafanyakazi	15,747,234	21.8	13,942,880	25.3
Kwa Serikali - Kodi ya mapato ya Kampuni	16,722,541	23.2	13,519,747	24.6
Gawio kwa Wanahisa	5,857,736	8.1	13,082,835	23.8
Kwa Taasisi za Ukopesaji	211,483	0.3	613,577	1.1
kwa Upanuzi na Kukua				
- Uchakavu	5,133,902	7.1	5,001,140	9.1
- Mapato yaliyobakizwa	28,641,396	39.6	8,845,835	16.1
	<b><u>72,364,292</u></b>	<b>100</b>	<b><u>55,006,014</u></b>	<b>100</b>

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

ANNUAL REPORT **2012**

## Board of Directors

**1** Prof Samuel Wangwe - Acting Chairman (Non-executive)  
Kaimu Mwenyekiti (Si-Mtendaji)

**3** Cornelius Kariwa (Non-Executive)  
(Si Mtendaji)

**2** Erik Westerberg - Managing Director  
Mkurugenzi Mtendaji

**4** Dr Stephan Olivier (Non-Executive)  
(Si Mtendaji)



TAARIFA YA MWAKA **2012**  
Bodi ya Wakurugenzi

**5** David Lee - Company Secretary  
Katibu wa Kampuni

**6** Khadija Simba - (Non-Executive)  
(Si Mtendaji)

**7** Duncan Matshoba - (Non-Executive)  
(Si Mtendaji)



# ANNUAL REPORT 2012

## Report of the Directors

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

The Directors present their report and the audited consolidated financial statements for the financial year ended 31 December 2011 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 Group at the date of this report and who have served since January 2012 are:

Name	Position	Age	Nationality
Mr J. Sithole	Chairperson (Appointed 18 May 2012, Died 18 August 2012)	57	South Africa
Mr E. Westerberg	Managing Director	60	Swedish
Mr D. Matshoba	Director	48	South Africa
Dr S. Olivier	Director	53	South Africa
Mr C. Kariwa	Director	52	Tanzanian
Mr K. Omar	Director	48	Tanzanian
Ms K. Simba	Director	67	Tanzanian
Prof S. Wangwe	Director/ Acting Chairperson from 18th August 2012	64	Tanzanian

With the exception of Mr E. Westerberg, the Managing Director, all other Directors are non-executive.

The Group Secretary during the year ended 31 December 2012 was Mr D. Lee. British, 55 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 seven 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 a Director who has no executive functions. The roles of Chairman and Managing Director are separate, with each having set responsibilities.

The Board is confident that its members have the knowledge, talent and experience to lead the Company. The Non-Executive Directors are independent of management and exercise their independent judgment. 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 facilitates the effective control of all the Company's operational activities, acting as a medium of communication and co-ordination between all the various business units.

All Directors have access to the Company Secretary and his services and may seek independent professional advice if necessary. It is the Company'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 Company. Board meetings are held quarterly to deliberate the results of the Group.

#### **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 effectiveness and efficiency of operations:

- The safeguarding of the Group's assets (including information)
- Compliance with the applicable laws, regulations and supervisory requirements
- The reliability of 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 2012 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**

There is a general increase in fraudulent transactions throughout industries in Tanzania. The Group could incur losses resulting from fraudulent transactions, but controls are in place designed to mitigate this risk.

##### **Operational risk**

This is a risk resulting from the Group's activities not being conducted in accordance with formally recognised procedures. Management ensures that the Group complies with internal 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 statement

### 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 judgments and estimates, were used consistently; and
- 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 Committee

Name	Nationality	Qualification
1. Prof. S. M. Wangwe (Chairman)	Tanzanian	PhD (Economics), BA (Economics)
2. Mr D. Matshoba	South African	Bcom, ACCA

The Audit Committee which comprises non executive directors reports to the Board and met twice during the year.

#### Risk Committee

1. Mr C. K. Kariwa (Chairperson)	Tanzanian	LLB
2. Mr E. Westerberg	Swedish	Mechanical Engineer
3. Mr K. Omar	Tanzanian	Msc (Development Studies)

The Risk Committee reports to Board of Directors and met twice during the year.

#### Remuneration Committee

1. Mrs K. Simba (Chairperson)	Tanzanian	Enterprenuer
2. Prof. S. M. Wangwe	Tanzanian	Ph.D Economics, BA Economics
3. Dr S. Olivier	South African	Ph.D Bio Chemistry

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

### 7. REMENURATION 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 (2011: 63,671,045 Ordinary shares of Tzs 20 each).

#### Issued up and fully paid

63,671,045 Ordinary shares of Tzs 20 each (2011: 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 and Administration;
- Projects.

## 10. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Company during the year ended 31 December 2012 were:

Mr E. Westerberg	Managing Director
Mr B. Lema	Plant Manager
Mr D. Lee	Chief Financial Officer
Mr O. Kitomari	Occupational Health, Safety & Environment Manager
Mr D. Nordlander	Business Development Manager
Mr A. Osman	Projects Manager
Mrs E. Sempeho	Human Resources Manager

## 11. SHAREHOLDERS OF THE COMPANY

The top ten shareholders at 31 December were:

	2012	2011
AfriSam (Mauritius) Investment Limited	62.5%	62.5%
Public Service Pension Fund	7.15%	7.15%
National Social Security Fund	6.52%	6.52%
Social Action Trust Fund	1.79%	1.79%
The Registered Trustees of Tanga Cement Company Limited Employees Scheme	1.10%	1.10%
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	0.32%	0.32%
Sujjadhussain Kassamali Tajri	0.17%	0.17%
Sajjad F. Rajabali	-	0.58
Aunali F. Rajabali	-	0.58

### Member summary as at 31 December 2012:

	2012		2011	
	Number of Members	Number of Shares	Number of Members	Number of Shares
1-1,000	9,391	3,150,914	9,478	3,190,376
1,001-5,000	1,333	3,732,906	1,345	3,771,591
5,001-10,000	385	2,344,542	392	2,398,635
10,000 plus	116	14,648,280	112	14,516,040
AfriSam (Mauritius) Investment Limited	1	39,794,403	1	39,794,403
<b>Total</b>	<b>11,226</b>	<b>63,671,045</b>	<b>11,328</b>	<b>63,671,045</b>

Directors holding shares in the Company are listed below:

Prof. S. M. Wangwe:

2,000 ordinary shares.

**12. DIRECTORS' REMUNERATION**

The remuneration for services rendered by the Directors of the Company in 2011 was as follows:

	<b>Amount in Tzs</b>
Chairperson of the Board of Directors 1	9,098,500
Other Directors	38,756,200

During the year under review, Executive Directors' remuneration was Tzs 782 million (2011: Tzs 654 million).

**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 2012, the performance of the Group's shares in the secondary market was as follows: Market capitalisation as at 31 December 2012 was Tzs 152,811 million (2011: Tzs 151,937 million). Total turnover of the Group's shares at the DSE was Tzs 2,875,167,700 (2011: Tzs 970,822,000). The average price of Group shares was Tzs 2,400 per share (2011: Tzs 2,127) and the prevailing share price as at 31 December 2012 was Tzs 2,400 per share (IPO price Tzs 360 per share).

**14. PERFORMANCE FOR THE YEAR**

The Group increased sales volumes in line with expectations, resulting in a 10% rise in revenue.

Increased production during the year depended totally on the use of expensive imported clinker. Despite this, and continued electricity supply problems, the Group's performance improved significantly compared to the previous year. This was due mainly to the benefits from the major refurbishment work in the plant in 2011, the stable exchange rate throughout the year and tight control of costs.

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 programme.

**Financial results**

In the course of its operations, the Group made a total comprehensive income of Tzs 37 billion. (2011: Tzs 22 billion). The Group's profit increased by Tzs 15 billion to Tzs 37 billion. The increase was mainly attributable to a 12% increase in sales volume, from 932 thousand tons to 1.044 million tons, accompanied by effective cost control, which resulted mainly from a decrease on administration cost by 11%.

**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 17% from Tzs 166 billion to Tzs 194 billion, mainly due to increased cash and cash equivalents amounting Tzs 28 billion. This was mainly attributable to increased cash generated by operating activities and reduced dividend payments during the year.

**15. RESULTS AND DIVIDEND**

The Group's net profit for the year of Tzs 37,113 million (2011: Tzs 22,291 million) has been added to retained earnings. During the year the directors declared interim dividend totalling Tzs 2,865 million (2011: Tzs 2,483 million) being Tzs 45 per share (2011: Tzs 39 per share). The directors propose a final dividend totalling of Tzs 3,502 million (2011: Tzs 2,993 million) being Tzs 55 per share (2011: Tzs 47 per share). Total interim and final dividend during the year would amount to Tzs 6,367 million (Tzs 100 per share) being an increase by 16% compared to the total dividend of Tzs 5,476 million (Tzs 86 per share) declared and approved during 2011.

The dividend policy of the group is to pay 50% of the net income if the board sees there is a need to invest. It has a mandate to declare less than 50% as per policy.

**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.

The boards of both Tanga Cement Company Limited (TCCL) and the company's majority shareholder, AfriSam, have 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 very 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. The new kiln has been re-sited and work is expected to commence in mid-2013, with commissioning in late 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 mostly be generated from its operational activities. The future cash flow projections

of the Group will be significantly affected by the timing of capital expenditure commitments, which for the year 2013 are expected to be TZS 8.0 billion (2012: TZS 3.6 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

There were no acquisitions during the year (2011: Nil). There were no material disposals of business during the year 2012 (2011: Nil).

### 22. INVESTMENTS

The Tanga Cement Company Limited owns 60% 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 will expire in 2013. 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 241 million for staff training in order to improve employees technical skills and effectiveness (2011: TZs 232 million). Programs have been, and continue to be, developed to ensure that employees are adequately trained at all levels.

#### Medical Scheme

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

#### Health and Safety

The Group has a 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 286 (2011: 291). Group average number of employees during the year was 375 (2011: 378).

### 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 280 (2011: 291) employees, of which 29 were female and 251 were male (2011: 29 female and 262 male). The Group has 374 (2011:383) employees, of which 49 were female and 325 (2011: 48 female and 335 male).

### 25. 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.

### 26. POLITICAL DONATIONS

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

### 27. ENVIRONMENTAL CONTROL PROGRAMME

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

### 28. QUALITY

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

### 29. CORPORATE SOCIAL INVESTMENT

During the year, Tanga Cement Group Limited continued to support Tanzanian society through its Corporate Social Responsibility program. The areas that have been supported are community development, education, health and the environment. During the year the Group contributed TZs 406 million (2011: TZs 341 million) towards various corporate social investment initiatives.

**30. CONTRIBUTION AND SUBSCRIPTIONS**

The Group paid subscriptions and made contributions to various organisations during the year, including the Dar es Salaam stock exchange (Tzs 10 million), Professional Associations and Charities. Such payments amounted to Tzs 49 million (2011: Tzs 73 million).

**31. 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.

**32. COMPLIANCE TO LAWS AND REGULATIONS**

During the year ended 31 December 2012, there were no serious prejudicial matters to report as required by Tanzania Financial Reporting Standard No. 1 (Directors' Report)..

**33. 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.

**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 Ernst & Young as auditors of the Group for the year 2013 will be tabled at the Annual General Meeting.

**BY ORDER OF THE BOARD:**



**Prof. Samuel Wangwe**  
Acting Chairperson  
8 March 2013



**Erik Westerberg**  
Managing Director  
8 March 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 during the 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, including accepting responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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.



**Prof. Samuel Wangwe**  
Acting Chairperson  
8 March 2013



**Erik Westerberg**  
Managing Director  
8 March 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 2012 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 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 control as the directors determine is 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 control 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 control. 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 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner by the Tanzanian Companies Act, 2002.

### **Report on other legal and regulatory requirements**

This report, including the opinion, has been prepared for, and only for, the 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 2013



## Consolidated Statement Of Comprehensive Income

for the year ended 31 December 2012

	Notes	Company 2012 Tzs' 000	Group 2012 Tzs' 000	Company 2011 Tzs' 000	Group 2011 Tzs' 000
<b>Revenue</b>	5	195,603,983	257,921,831	161,435,718	233,863,262
Cost of sales	6	(129,895,517)	(178,537,803)	(109,400,977)	(170,126,923)
<b>Gross profit</b>		65,708,466	79,384,028	52,034,741	63,736,339
Other income	7	1,796,386	164,135	1,800,390	178,049
Selling expenses	8	(2,046,290)	(2,046,290)	(1,819,970)	(1,819,970)
Administration expenses	11	(8,357,451)	(14,978,179)	(8,765,620)	(16,872,110)
Depreciation	10	(5,133,902)	(5,462,771)	(5,001,140)	(5,353,534)
<b>Operating profits</b>		<b>51,967,209</b>	<b>57,060,923</b>	<b>38,248,401</b>	<b>39,868,774</b>
Finance costs	11	(211,483)	(354,147)	(613,577)	(741,001)
Finance income	12	507,381	507,381	52,438	52,438
Foreign exchange losses	13	(991,434)	(1,281,090)	(2,238,845)	(2,095,013)
<b>Profit before tax</b>		<b>51,271,673</b>	<b>55,933,067</b>	<b>35,448,417</b>	<b>37,085,198</b>
Income tax expense	14	(16,772,541)	(18,819,650)	(13,519,747)	(14,794,279)
<b>Profit for the year</b>		<b>34,499,132</b>	<b>37,113,417</b>	<b>21,928,670</b>	<b>22,290,919</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>34,499,132</b>	<b>37,113,417</b>	<b>21,928,670</b>	<b>22,290,919</b>
Profit for the period attributable to:					
Owners of the parent		34,499,132	35,320,939	21,928,670	21,265,038
Non-controlling interests		-	1,792,478	-	1,025,881
		<b>34,499,132</b>	<b>37,113,417</b>	<b>21,928,670</b>	<b>22,290,919</b>
Total comprehensive income attributable to:					
Owners of the parent		34,499,132	35,320,939	21,928,670	21,265,038
Non-controlling interests		-	1,792,478	-	1,025,881
		<b>34,499,132</b>	<b>37,113,417</b>	<b>21,928,670</b>	<b>22,290,919</b>
Basic earnings per share (Tzs)	15(a)	<b>542</b>	<b>555</b>	<b>344</b>	<b>350</b>
Diluted earnings per share (Tzs)	15(b)	<b>542</b>	<b>555</b>	<b>344</b>	<b>350</b>

## Taarifa Ya Mapato

Kwa mwaka ulioisha tarehe 31 Desemba 2012

Maelezo		Kampuni 2012 Tzs' 000	Kundi 2012 Tzs' 000	Kampuni 2011 Tzs' 000	Kundi 2011 Tzs' 000
<b>Mapato</b>	5	195,603,983	257,921,831	161,435,718	233,863,262
Gharama za mauzo	6	(129,895,517)	(178,537,803)	(109,400,977)	(170,126,923)
<b>Faida Ghafi</b>		65,708,466	79,384,028	52,034,741	63,736,339
Gharama nyingine za uendeshaji	7	1,796,386	164,135	1,800,390	178,049
Gharama za uuzaji	8	(2,046,290)	(2,046,290)	(1,819,970)	(1,819,970)
Gharama za utawala	11	(8,357,451)	(14,978,179)	(8,765,620)	(16,872,110)
Uchakavu	10	(5,133,902)	(5,462,771)	(5,001,140)	(5,353,534)
<b>Faida ya Uendeshaji</b>		<b>51,967,209</b>	<b>57,060,923</b>	<b>38,248,401</b>	<b>39,868,774</b>
Gharama za Fedha	11	(211,483)	(354,147)	(613,577)	(741,001)
Mapato ya Fedha	12	507,381	507,381	52,438	52,438
Hasara iliyopatikana na ubadilishaji fedha	13	(991,434)	(1,281,090)	(2,238,845)	(2,095,013)
<b>Faida kabla ya Kodi</b>		<b>51,271,673</b>	<b>55,933,067</b>	<b>35,448,417</b>	<b>37,085,198</b>
Kodi ya Mapato	14	(16,772,541)	(18,819,650)	(13,519,747)	(14,794,279)
<b>Faida kwa Mwaka</b>		<b>34,499,132</b>	<b>37,113,417</b>	<b>21,928,670</b>	<b>22,290,919</b>
<b>Pato kuu jingine</b>		-	-	-	-
<b>Jumla ya pato kuu kwa mwaka</b>		<b>34,499,132</b>	<b>37,113,417</b>	<b>21,928,670</b>	<b>22,290,919</b>
Faida kwa kipindi kilichoidhinishwa kwa:					
Wamiliki wa Kampuni mama		34,499,132	35,320,939	21,928,670	21,265,038
Riba isiyodhibitiwa		-	1,792,478	-	1,025,881
		<b>34,499,132</b>	<b>37,113,417</b>	<b>21,928,670</b>	<b>22,290,919</b>
jumla ya Mapato yaliyoidhinishwa kwa:					
Wamiliki wa Kampuni mama		34,499,132	35,320,939	21,928,670	21,265,038
Wamiliki wa Kampuni mama		-	1,792,478	-	1,025,881
		<b>34,499,132</b>	<b>37,113,417</b>	<b>21,928,670</b>	<b>22,290,919</b>
Mapato ya msingi kwa hisa (Tzs)	15(a)	<b>542</b>	<b>555</b>	<b>344</b>	<b>350</b>
Mapato yaliyopunguzwa kwa hisa (Tzs)	15(b)	<b>542</b>	<b>555</b>	<b>344</b>	<b>350</b>

## Consolidated Statement Of Financial Position

As at 31 December 2012

Notes	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	16	103,026,587	108,464,946	99,612,508
Intangible assets	17	-	2,827,792	-
Due from employees' Share Trust	18	467,241	467,241	320,813
Investment	19	5,468,104	-	5,468,104
		<b>108,961,932</b>	<b>111,759,979</b>	<b>105,401,425</b>
<b>Current assets</b>				
Inventories	20	28,218,706	31,882,065	32,497,799
Trade and other receivables	21	9,139,159	3,649,146	8,428,127
Tax recoverable	26	-	5,643,832	-
Cash and cash equivalents	22	38,756,679	40,943,678	9,760,646
		76,114,544	82,118,721	50,686,572
		<b>185,076,476</b>	<b>193,878,700</b>	<b>156,087,997</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Issued capital	23	1,273,421	1,273,421	1,273,421
Retained earnings		143,959,986	143,176,878	115,318,590
<b>Equity attributable to owners of the parent</b>		<b>145,233,407</b>	<b>144,450,299</b>	<b>116,592,011</b>
Non-controlling interests		-	2,473,971	-
<b>Total equity</b>		<b>145,233,407</b>	<b>146,924,270</b>	<b>116,592,011</b>
<b>Non-current liabilities</b>				
Provision for liabilities and charges	24	69,448	69,448	65,447
Deferred tax liability	14	19,354,560	19,354,560	17,563,609
		<b>19,424,008</b>	<b>19,424,008</b>	<b>17,607,088</b>
<b>Current liabilities</b>				
Interest - bearing loans	30	-	-	2,500,000
Bank overdraft	30	-	911,922	-
Trade and other payables	25	18,419,498	24,332,276	18,373,871
Income tax payable	26	1,999,563	2,286,224	993,059
		<b>20,419,061</b>	<b>27,530,422</b>	<b>21,866,930</b>
<b>Total liabilities</b>		<b>39,843,069</b>	<b>46,954,430</b>	<b>39,495,986</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>185,076,476</b>	<b>193,878,700</b>	<b>156,087,997</b>

These consolidated financial statements were approved by the Board of Directors for issue on 08 March 2013 and were signed on their behalf by:



**Prof. Samuel Wangwe**  
Acting Chairperson



**Erik Westerberg**  
Managing Director

## Mizani ya Kampuni

Kwa mwaka ulioisha tarehe 31 Desemba 2012

Maelezo		Kampuni 2012 Tzs'000	Kundi 2012 Tzs'000	Kampuni 2011 Tzs'000	Kundi 2011 Tzs'000
<b>RASILIMALI</b>					
<b>Rasilimali kudumu</b>					
Mali, mitambo na vifaa	16	103,026,587	108,464,946	99,612,508	105,237,748
Rasilimali zisiozoonekana	17	-	2,827,792	-	2,827,792
Stahili kutoka mfuko wa Hisa wa wafanyakazi	18	467,241	467,241	320,813	320,813
Uwekezaji	19	5,468,104	-	5,468,104	-
		<b>108,961,932</b>	<b>111,759,979</b>	<b>105,401,425</b>	<b>108,386,353</b>
<b>Rasilimali za Muda</b>					
Bidhaa	20	28,218,706	31,882,065	32,497,799	36,114,556
Hesabu za kupokelewa kibiashara na nyingine	21	9,139,159	3,649,146	8,428,127	3,503,511
Kodi inayorejesheka	26	-	5,643,832	-	5,583,905
Taslimu na benki	22	38,756,679	40,943,678	9,760,646	12,683,619
		76,114,544	82,118,721	50,686,572	57,885,591
		<b>185,076,476</b>	<b>193,878,700</b>	<b>156,087,997</b>	<b>166,271,944</b>
<b>HISA NA DHIMA</b>					
<b>Mtaji wa Akiba</b>					
Mtaji wa hisa ulitolewa	23	1,273,421	1,273,421	1,273,421	1,273,421
Mapato yaliyobakishwa		143,959,986	143,176,878	115,318,590	113,713,675
<b>Hisa zilizoidhinishwa kwa wamiliki wa Kampuni mama</b>		<b>145,233,407</b>	<b>144,450,299</b>	<b>116,592,011</b>	<b>114,987,096</b>
Wamiliki wasio na udhibiti		-	2,473,971	-	1,841,493
<b>Jumla</b>		<b>145,233,407</b>	<b>146,924,270</b>	<b>116,592,011</b>	<b>116,828,589</b>
<b>Dhima za kudumu</b>					
Tengo la utunzaji eneo	24	69,448	69,448	65,447	65,447
Dhima ya kodi iliyochelewa	14	19,354,560	19,354,560	17,563,609	17,563,609
		<b>19,424,008</b>	<b>19,424,008</b>	<b>17,629,056</b>	<b>17,629,056</b>
<b>Dhima za muda</b>					
Mikopo yenye riba	30	-	-	2,500,000	2,500,000
Ovadrafti ya benki	30	-	911,922	-	934,367
Madeni ya kibiashara na mengineyo	25	18,419,498	24,332,276	18,373,871	27,270,891
Madeni ya kodi ya mapato	26	1,999,563	2,286,224	993,059	1,109,041
		<b>20,419,061</b>	<b>27,530,422</b>	<b>21,866,930</b>	<b>31,814,299</b>
<b>Jumla ya Dhima</b>		<b>39,843,069</b>	<b>46,954,430</b>	<b>39,495,986</b>	<b>49,443,355</b>
<b>JUMLA YA HISA NA DHIMA</b>		<b>185,076,476</b>	<b>193,878,700</b>	<b>156,087,997</b>	<b>166,271,944</b>

Taarifa hizi kamili za fedha ziliidhinishwa na Bodi ya Wakurugenzi tarehe 8 Machi 2013 na zilitiwa saina kwa niaba yao na:



**Prof. Samuel Wangwe**  
Kaimu Mwenyekiti



**Erik Westerberg**  
Mkurugenzi Mtendaji

## Consolidated Statement Of Changes In Equity

for the year ended 31 December 2012

Notes	Issued Capital Tzs'000	Retained Earnings Tzs'000	Non-Controlling Interest Tzs'000	Total Tzs'000
<b>COMPANY</b>				
<b>At 1 January 2011</b>	<b>1,273,421</b>	<b>106,311,915</b>	-	<b>107,585,336</b>
Profit for the Year 2011	-	21,928,670	-	21,928,670
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>1,273,421</b>	<b>128,240,585</b>	-	<b>129,514,006</b>
Dividends	-	(12,921,995)	-	(12,921,995)
<b>At 31 December 2011</b>	<b>1,273,421</b>	<b>115,318,590</b>	-	<b>116,592,011</b>
Profit for the year 2012	-	34,499,132	-	34,499,132
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>1,273,421</b>	<b>149,817,722</b>	-	<b>151,091,143</b>
Dividends	-	(5,857,736)	-	(5,857,736)
<b>At 31 December 2012</b>	<b>1,273,421</b>	<b>143,959,986</b>	-	<b>145,233,407</b>
<b>GROUP</b>				
<b>At 1 January 2011</b>	<b>1,273,421</b>	<b>105,370,632</b>	<b>1,935,612</b>	<b>108,579,665</b>
Profit for the year 2011	-	21,265,038	1,025,881	22,290,919
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>1,273,421</b>	<b>126,635,670</b>	<b>2,961,493</b>	<b>130,870,584</b>
Dividends	-	(12,921,995)	(1,120,000)	(14,041,995)
<b>At 31 December 2011</b>	<b>1,273,421</b>	<b>113,713,675</b>	<b>1,841,493</b>	<b>116,828,589</b>
Profit for the year 2012	-	35,320,939	1,792,478	37,113,417
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>1,273,421</b>	<b>149,034,614</b>	<b>3,633,971</b>	<b>153,942,006</b>
Dividends	28	(5,857,736)	(1,160,000)	(7,017,736)
<b>At 31 December 2012</b>	<b>1,273,421</b>	<b>143,176,878</b>	<b>2,473,971</b>	<b>146,924,270</b>

## Taarifa Ya Mabadiliko ya Hisa/Mtaji

Kwa mwaka ulioisha tarehe 31 Desemba 2012

Maelezo	Mtaji Uliotolewa upya Tzs'000	Akiba iliyothaminiwa Tzs'000	Wamiliki wasio na udhibiti Tzs'000	Jumla Tzs'000
<b>KAMPUNI</b>				
<b>Tarehe 1 Januari 2011</b>	<b>1,273,421</b>	<b>106,311,915</b>	-	<b>107,585,336</b>
Faida kwa Mwaka 2011	-	21,928,670	-	21,928,670
Mapato Mengineyo	-	-	-	-
<b>Jumla</b>	<b>1,273,421</b>	<b>128,240,585</b>	-	<b>129,514,006</b>
Magawio	-	(12,921,995)	-	(12,921,995)
<b>Tarehe 31 Desemba 2011</b>	<b>1,273,421</b>	<b>115,318,590</b>	-	<b>116,592,011</b>
Faida kwa mwaka	-	34,499,132	-	34,499,132
Mapato Mengineyo	-	-	-	-
<b>Jumla</b>	<b>1,273,421</b>	<b>149,817,722</b>	-	<b>151,091,143</b>
Gawio	-	(5,857,736)	-	(5,857,736)
<b>Tarehe 31 Desemba 2011</b>	<b>1,273,421</b>	<b>143,959,986</b>	-	<b>145,233,407</b>
<b>KUNDI</b>				
<b>Tarehe 1 Januari 2011</b>	<b>1,273,421</b>	<b>105,370,632</b>	<b>1,935,612</b>	<b>108,579,665</b>
Faida kwa mwaka	-	21,265,038	1,025,881	22,290,919
Mapato mengine makuu	-	-	-	-
<b>Jumla</b>	<b>1,273,421</b>	<b>126,635,670</b>	<b>2,961,493</b>	<b>130,870,584</b>
Gawio	-	(12,921,995)	(1,120,000)	(14,041,995)
<b>Tarehe 31 Desemba 2011</b>	<b>1,273,421</b>	<b>113,713,675</b>	<b>1,841,493</b>	<b>116,828,589</b>
Faida kwa mwaka	-	35,320,939	1,792,478	37,113,417
Mapato Mengineyo	-	-	-	-
<b>Jumla</b>	<b>1,273,421</b>	<b>149,034,614</b>	<b>3,633,971</b>	<b>153,942,006</b>
Gawio	-	(5,857,736)	(1,160,000)	(7,017,736)
<b>Tarehe 31 Desemba 2012</b>	<b>1,273,421</b>	<b>143,176,878</b>	<b>2,473,971</b>	<b>146,924,270</b>

## Consolidated Statement Of Cash Flow

for the year ended 31 December 2012

	Notes	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
<b>OPERATING ACTIVITIES</b>					
Cash generated from operating activities	27	60,685,220	63,568,844	40,969,525	45,291,295
Finance income	12	507,381	507,381	52,438	52,438
Finance costs	11	(211,483)	(354,147)	(613,577)	(741,001)
Income taxes paid	26	(13,975,086)	(15,851,516)	(10,247,470)	(11,500,310)
<b>Net cash flows from operating activities</b>		<b>47,006,032</b>	<b>47,870,562</b>	<b>30,160,916</b>	<b>33,102,422</b>
<b>INVESTING ACTIVITIES</b>					
Proceeds from sale of property, plant and equipment		58,996	68,996	-	-
Purchase of property, plant and equipment	16	(8,573,397)	(8,711,800)	(8,258,013)	(8,749,875)
<b>Net cash flow used in investing activities</b>		<b>(8,504,164)</b>	<b>(9,664,164)</b>	<b>(8,258,013)</b>	<b>(8,749,875)</b>
<b>FINANCING ACTIVITIES</b>					
Employees' Share Trust	18	(146,428)	(146,428)	(3,437)	(3,437)
Repayment of borrowings	33	(2,500,000)	(2,500,000)	(5,000,000)	(5,000,000)
Dividends paid to equity holder of parent	31	(5,857,736)	(5,857,736)	(13,082,835)	(13,082,835)
Dividend paid to non-controlling interest		-	(1,160,000)	-	(1,120,000)
<b>Net cash flow used in financing activities</b>		<b>(8,504,164)</b>	<b>(9,664,164)</b>	<b>(18,086,272)</b>	<b>(19,206,272)</b>
<b>Net increase in cash and cash equivalents</b>		<b>29,987,467</b>	<b>29,563,594</b>	3,816,631	5,146,275
<b>Net foreign exchange difference</b>		<b>(991,434)</b>	<b>(1,281,090)</b>	(2,238,845)	(2,095,013)
<b>Cash and cash equivalents at the beginning of the year</b>		9,760,646	11,749,252	8,182,860	8,697,990
<b>Cash and cash equivalents at the end of the year</b>	22	<b>38,756,679</b>	<b>40,031,756</b>	<b>9,760,646</b>	<b>11,749,252</b>

## Mtiririko wa Fedha

Kwa mwaka ulioisha tarehe 31 Desemba 2012

Maelezo		Kampuni 2012 Tzs'000	Kundi 2012 Tzs'000	Kampuni 2011 Tzs'000	Kundi 2011 Tzs'000
<b>SHUGHULI ZA UENDESHAJI</b>					
Taslimu kutoka shughuli za biashara	27	60,685,220	63,568,844	40,969,525	45,291,295
Mapato ya Fedha	12	507,381	507,381	52,438	52,428
Gharama za Fedha	11	(211,483)	(354,147)	(613,577)	(741,001)
Kodi ya mapato iliyolipwa	26	(13,975,086)	(15,851,516)	(10,247,470)	(11,500,310)
<b>Mapato halisi kutoka shughuli za biashara</b>		<b>47,006,032</b>	<b>47,870,562</b>	<b>30,160,916</b>	<b>33,102,422</b>
<b>SHUGHULI ZA UWEKEZAJI</b>					
Mapato yaliyopatikana kwa uuzaji wa samani		58,996	68,996	-	-
Ununuzi wa mali, mitambo na zana	16	(8,573,397)	(8,711,800)	(8,258,013)	(8,749,875)
<b>Mapato halisi yaliyotumika katika uwekezaji</b>		<b>(8,258,013)</b>	<b>(8,749,875)</b>	<b>(8,258,013)</b>	<b>(8,749,875)</b>
<b>SHUGHULI ZA KUGHARIMIA</b>					
Mfuko wa Hisa za Wafanyakazi	18	(146,428)	(146,428)	(3,437)	(3,437)
Urejeshaji wa mikopo	33	(2,500,000)	(2,500,000)	(5,000,000)	(5,000,000)
Magawio yaliyolipwa kwa wenye hisa wa kampuni mama	31	(5,857,736)	(5,857,736)	(13,082,835)	(13,082,835)
Gawio lililolipwa kwa Wamiliki wasio na udhibiti		-	(1,160,000)	-	(1,120,000)
<b>Mapato halisi yaliyotumiwa katika shughuli za kugharimia</b>		<b>(8,504,164)</b>	<b>(9,661,164)</b>	<b>(18,086,272)</b>	<b>(19,206,272)</b>
<b>Kupungua/Ongezeko katika fedha taslimu na fedha Linganifu</b>		<b>29,987,467</b>	<b>29,563,594</b>	3,816,631	5,146,275
<b>Tofauti Halisi ya Mabadiliko ya Fedha za kigeni</b>		<b>(991,434)</b>	<b>(1,281,090)</b>	(2,238,845)	(2,095,013)
<b>Fedha taslimu na Fedha linganifu mwanzo wa mwaka</b>		9,760,646	11,749,252	8,182,860	8,697,990
<b>Fedha taslimu na Fedha linganifu mwisho wa mwaka</b>	22	<b>38,756,679</b>	<b>40,031,756</b>	<b>9,760,646</b>	<b>11,749,252</b>

# 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 2012 were authorised for issue in accordance with a resolution of Directors on 08 March 2013. 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. Group information refers to page 1.

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

## 2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis. No other 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 2012.

## 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 2012.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control, 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 Group, 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. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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.

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.

#### **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.

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

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

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 or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated statement of comprehensive income.

**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 are stated at cost net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in profit and loss as incurred.

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:

• 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 statement of comprehensive income 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 bases 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**

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

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

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in an asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

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

Gains or losses arising from de-recognition 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, trade and other receivables, loans and other receivables.

**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 statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income 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 the statement of comprehensive income. 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. Loans, 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 the statement of comprehensive income.

**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.

**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 are 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. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognised in other comprehensive income, in respect of the purchases of raw materials.

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 to sell, 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 the statement of comprehensive income 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 soil 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 the statement of comprehensive income is based on the expected life of the quarry and is included in operating expenditure. The current cost is the sum of money required to return the quarry to the necessary state if paid at the end of the financial period.

#### **p) Employees' benefits**

All of 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 contribution is charged to the Statement of comprehensive income when incurred.

#### **q) Construction in progress**

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.

#### **Comparatives**

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

## **2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

### **New and amended standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

- IAS 12 Income Taxes (Amendment)- Deferred Taxes: Recovery of Underlying Assets
- IFRS 1 First time Adoption of International Financial reporting Standards (Amendment)- Severe Hyperinflation and removal of fixed dates for first time adopters
- IFRS 7 Financial Instruments: Disclosures (Amendments)
- IFRS 7 Financial Instruments: Disclosures- Enhanced Derecognition Disclosure Requirements.

The adoption of the standards or interpretations is described below: IAS 8.28

#### **IAS 12 Income Taxes (Amendment) Deferred Taxes: Recovery of Underlying Assets**

The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property, measured using the fair value model in IAS 40, should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and there has been no effect on the Group financial position, performance or its disclosure as no investment property or non-depreciable assets have been measured under the revaluation model.

#### **IFRS 1 First Time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters**

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment has no impact on the Group as it is not the first-time adopter of IFRS.

#### **IFRS 7 Financial Instruments Disclosures- Enhanced Derecognition Disclosures 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 associate 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.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Uncertainty about these assumptions and estimates could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### **Judgements**

In the process of applying the Group's accounting policies, management has made no judgment, apart from those involving estimations, which has the most significant effect 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). From management's point of view there should not be any need for provision to cover future costs for restoration of the quarry area due to continuous ongoing backfilling and the way the area is left after extraction. The Group has re-cultivated the lands of the quarry that will no longer be mined. The Group has prepared a quarry restoration plan.

The carrying value of provision for quarry restoration refers to Note 24.

#### **Asset useful lives**

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

The carrying value of property, plant and equipment refer to Note 16.

#### **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 judgment is required in establishing fair values. The judgments 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.

#### **Impairment of non-financial assets**

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

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. 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.

#### **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.

#### **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.

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

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings) would be presented separately from items that will never be reclassified (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

##### **IAS 19 Employee Benefits (Revised)**

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes, such as removing the corridor mechanism and the concept of expected returns on plan assets, to simple clarifications and re-wording. The Group made a voluntary change in accounting policy to recognise actuarial gains and losses in other comprehensive income in the current period. The amended standard will impact the net benefit expense as

the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

#### **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”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January, 2014 and are not expected to impact the Group’s financial position or performance.

#### **IFRS 1 Government Loans – Amendments to IFRS 1**

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and to government loans retrospectively, if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

#### **IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity’s financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.

The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group’s financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

#### **IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

#### **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 continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group’s financial position or performance.

#### **IFRS 9 Financial Instruments: Classification and Measurement**

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 will address 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 financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

#### **IFRS 10 Consolidated Financial Statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

#### **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for, using the equity method. The application of this new standard will not have any impact on the financial position of the Group.

#### **IFRS 12 Disclosure of Involvement with Other Entities**

IFRS 12 includes all the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities.

A number of new disclosures are also required, but have no impact on the Group’s financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

#### **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 when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or

after 1 January 2013.

***IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine***

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation will not have an impact on the Group.

***Annual Improvements May 2012***

These improvements will not have an impact on the Group, but include:

***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 when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

***IFRS 1 First-time Adoption of International Financial Reporting Standards***

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

***IAS 1 Presentation of Financial Statements***

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

***IAS 16 Property Plant and Equipment***

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

***IAS 32 Financial Instruments, Presentation***

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

***IAS 34 Interim Financial Reporting***

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

## Notes to the consolidated financial statements

for the year ended 31 December 2012

	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
<b>5 REVENUE</b>				
Cement revenue	193,294,537	246,185,362	160,770,272	225,883,326
Transport revenue	2,309,446	11,736,469	665,446	7,979,936
<b>Total</b>	<b>195,603,983</b>	<b>257,921,831</b>	<b>161,435,718</b>	<b>233,863,262</b>
<b>6 COST OF SALES</b>				
Included in cost of sales are:				
Raw materials	45,821,896	45,821,896	34,104,158	34,483,705
Distribution costs	16,553,283	65,195,569	13,638,865	73,985,264
Fuel expenses	21,971,228	21,971,228	21,919,871	21,919,871
Electricity expenses	13,368,503	13,368,503	12,368,489	12,368,489
Personnel expenses	9,263,075	9,263,075	7,625,285	7,625,285
Maintenance expenses	12,072,648	12,072,648	12,924,744	12,924,744
Other production expenses	10,844,884	10,844,884	6,819,565	6,819,565
<b>Total</b>	<b>129,895,517</b>	<b>178,537,803</b>	<b>109,400,977</b>	<b>170,126,923</b>
<b>ROYALTIES</b>				
Limestone	336,933	336,933	80,699	80,699
Red soil	24,323	24,323	7,593	7,593
Pozzolana	144,960	144,960	95,692	95,692
<b>Total</b>	<b>183,984</b>	<b>183,984</b>	<b>183,984</b>	<b>183,984</b>
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.				
<b>7 OTHER INCOME</b>				
Sundry income - sale of scrap metals	79,806	120,555	120,390	178,049
Dividend income from Subsidiary	1,683,000	-	1,680,000	-
Gain on sale of property, plant and equipment	33,580	43,580	-	0
<b>Total</b>	<b>1,796,386</b>	<b>164,135</b>	<b>1,800,390</b>	<b>178,049</b>
<b>8 SELLING EXPENSES</b>				
Other marketing and sales expenses	164,983	164,983	117,777	117,777
Personnel expenses	799,784	799,784	691,224	691,224
Third party service	1,081,523	1,081,523	1,010,969	1,010,969
<b>Total</b>	<b>2,046,290</b>	<b>2,046,290</b>	<b>1,819,970</b>	<b>1,819,970</b>

## Notes to the consolidated financial statements

for the year ended 31 December 2012

	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
<b>9 ADMINISTRATION EXPENSES</b>				
Personnel expenses	5,264,579	9,215,860	5,254,174	8,876,340
Third party service	1,714,519	3,704,740	2,288,179	2,288,179
Other administration expenses	1,378,353	2,057,579	1,223,267	5,707,591
<b>Total</b>	<b>8,357,451</b>	<b>14,978,179</b>	<b>8,765,620</b>	<b>16,872,110</b>
<b>10 OPERATING PROFIT</b>				
Operating profit from operations is after charging/(crediting):				
Auditors' remuneration:				
Audit fees				
-external	135,744	177,866	133,814	171,111
Directors' remuneration				
- Director's Expenses	137,184	146,644	108,557	121,067
Staff costs:				
- Service costs	11,679,736	12,762,636	10,132,416	13,681,866
- Pension costs (Defined contribution plan)	1,074,612	1,291,192	1,182,021	1,254,736
Rentals -Operating Lease payments	329,001	711,873	434,055	876,982
Charge for the year (Note16)	5,496,031	5,824,900	5,244,467	5,596,861
Write-up (Note16)	(362,129)	(362,129)	(243,327)	(243,327)
Depreciation	5,133,902	5,462,771	5,001,140	5,353,534
<b>11 FINANCE COSTS</b>				
Interest on bank overdraft/loan	211,483	354,147	613,577	741,001
<b>Total</b>	<b>211,483</b>	<b>354,147</b>	<b>613,577</b>	<b>741,001</b>
<b>12 FINANCE INCOME</b>				
Interest on bank deposit	507,381	507,381	52,438	52,438
<b>13 FOREIGN EXCHANGE LOSSES</b>				
Exchange difference on cash and cash equivalent	991,434	1,281,090	2,238,845	2,095,013
<b>14 INCOME TAX</b>				
Consolidated statement of income				
Current income tax	14,563,767	16,610,876	10,032,467	11,284,893
Adjustments in respect of current income tax of previous year	417,823	417,823	969,313	991,419
Deferred tax charge	1,790,951	1,790,951	2,517,967	2,517,967
<b>Total</b>	<b>16,772,541</b>	<b>18,819,650</b>	<b>13,519,747</b>	<b>14,794,279</b>

# Notes to the consolidated financial statements

for the year ended 31 December 2012

	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
Deferred tax liability				
Due to accelerated capital allowances and provisions				
At 1 January	17,563,609	17,563,609	15,045,642	15,045,642
Charge for the year	1,790,951	1,790,951	2,517,967	2,517,967
At 31 December	<u>19,354,560</u>	<u>19,354,560</u>	<u>17,563,609</u>	<u>17,563,609</u>
<b>Total deferred tax liability</b>	<b><u>19,354,560</u></b>	<b><u>19,354,560</u></b>	<b><u>17,563,609</u></b>	<b><u>17,563,609</u></b>

As at 31 December 2012, Cement Distributor (EA) Limited, has a potential deferred tax asset of Tzs 54,230,279 (2011: Tzs 38,407,375) 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 2012 and 2011 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	3	5	7
- Income tax of previous year	1	1	3	3
Effective tax rate	<u>33</u>	<u>34</u>	<u>38</u>	<u>40</u>

## 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	<u>34,499,132</u>	<u>35,320,939</u>	<u>21,928,670</u>	<u>21,265,038</u>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares	<u>63,671,045</u>	<u>63,671,045</u>	<u>63,671,045</u>	<u>63,671,045</u>

### 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	<u>34,499,132</u>	<u>35,320,939</u>	<u>21,928,670</u>	<u>21,265,038</u>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares	<u>63,671,045</u>	<u>63,671,045</u>	<u>63,671,045</u>	<u>63,671,045</u>

## Notes to the consolidated financial statements

### 16 PROPERTY, PLANT AND EQUIPMENT

#### 16 (a) PROPERTY, PLANT AND EQUIPMENT - COMPANY

	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 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	6,936,056	-	-	(7,231,350)	-
Disposals	-	(520,908)	(63,627)	-	-	(584,535)
<b>At 31 December 2012</b>	<b>19,904,484</b>	<b>105,601,150</b>	<b>1,430,523</b>	<b>115,035</b>	<b>8,103,422</b>	<b>134,633,705</b>
<b>Depreciation</b>						
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
Disposal	-	(515,376)	(43,743)	-	-	(559,119)
Write-up	(29,195)	(302,175)	-	(30,759)	-	(362,129)
<b>At 31 December 2012</b>	<b>3,025,055</b>	<b>27,420,906</b>	<b>1,086,526</b>	<b>74,631</b>	<b>-</b>	<b>31,607,118</b>
<b>Carrying amount</b>						
<b>At 31 December 2012</b>	<b>16,879,429</b>	<b>77,659,335</b>	<b>343,997</b>	<b>40,404</b>	<b>8,103,422</b>	<b>103,026,587</b>
<b>Leasehold</b>						
	Plant and land and Buildings Tzs'000	Motor Machinery Tzs'000	Furniture Vehicles Tzs'000	Capital Fittings & Equipment Tzs'000	Work in Progress Tzs'000	Total Tzs'000
At 1 January 2011	18,986,905	89,582,893	1,494,150	135,253	8,187,629	118,386,830
Additions	69,221	5,231,381	-	(21,410)	2,978,821	8,258,013
Transfers	553,063	276,604	-	-	(829,667)	-
<b>At 31 December 2011</b>	<b>19,609,189</b>	<b>95,090,878</b>	<b>1,494,150</b>	<b>135,253</b>	<b>10,336,783</b>	<b>126,644,843</b>
<b>Depreciation</b>						
At 1 January 2011	1,947,158	19,328,426	679,722	75,889	-	22,031,195
Charge for the year	550,816	4,448,007	228,932	16,712	-	5,244,467
Write-up	-	(243,327)	-	-	-	(243,327)
<b>At 31 December 2011</b>	<b>2,497,974</b>	<b>23,533,106</b>	<b>908,654</b>	<b>92,601</b>	<b>-</b>	<b>27,032,335</b>
<b>Carrying amount</b>						
<b>At 31 December 2011</b>	<b>17,111,215</b>	<b>71,557,772</b>	<b>585,496</b>	<b>21,242</b>	<b>10,336,783</b>	<b>99,612,508</b>

## Notes to the consolidated financial statements

### 16 (b) PROPERTY, PLANT AND EQUIPMENT - GROUP

	<b>Leasehold land and Buildings Tzs'000</b>	<b>Plant and Machinery Tzs'000</b>	<b>Motor Vehicles Tzs'000</b>	<b>Furniture Fittings &amp; Equipment Tzs'000</b>	<b>Capital Work in Progress Tzs'000</b>	<b>Total Tzs'000</b>
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	0	-	(7,231,350)	-
Disposals	-	(520,908)	(44,888)	-	-	(565,796)
<b>At 31 December 2012</b>	<b>25,132,762</b>	<b>105,256,634</b>	<b>2,201,628</b>	<b>339,328</b>	<b>8,103,421</b>	<b>141,033,772</b>
<b>Depreciation</b>						
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)
<b>At 31 December 2012</b>	<b>3,245,192</b>	<b>27,525,848</b>	<b>1,669,035</b>	<b>128,751</b>	<b>-</b>	<b>32,568,826</b>
<b>Carrying amount</b>						
<b>At 31 December 2012</b>	<b>21,887,570</b>	<b>77,730,786</b>	<b>532,593</b>	<b>210,577</b>	<b>8,103,421</b>	<b>108,464,946</b>
<b>At 1 January 2011</b>						
<b>At 1 January 2011</b>	<b>24,215,183</b>	<b>89,701,620</b>	<b>1,683,039</b>	<b>350,422</b>	<b>8,187,629</b>	<b>124,137,893</b>
Additions	69,221	5,289,046	425,074	(12,286)	2,978,820	8,749,875
Transfers	553,063	276,604	-	-	(829,667)	-
<b>At 31 December 2011</b>	<b>24,837,467</b>	<b>95,267,270</b>	<b>2,108,113</b>	<b>338,136</b>	<b>10,336,782</b>	<b>132,887,768</b>
<b>Depreciation</b>						
At 1 January 2011	2,020,537	19,377,442	795,604	102,903	-	22,296,486
Charge for the year	624,195	4,503,933	423,122	45,611	-	5,596,861
Write-up	-	(243,327)	-	-	-	(243,327)
<b>At 31 December 2011</b>	<b>2,644,732</b>	<b>23,638,048</b>	<b>1,218,726</b>	<b>148,514</b>	<b>-</b>	<b>27,650,020</b>
<b>Carrying amount</b>						
<b>At 31 December 2011</b>	<b>22,192,735</b>	<b>71,629,222</b>	<b>889,387</b>	<b>189,622</b>	<b>10,336,782</b>	<b>105,237,748</b>

Information relating to property, plant and equipment:

- 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.
- 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 2012 is Tzs 4.9 billion relating to the insurance spares moved from inventory to plant, machinery and equipment (2011: Tzs 4.3 billion).
- The amount of borrowing cost capitalised during the year ended 31 December 2012 was Tzs Nil (2011: Tzs Nil). The rate used to determine the amount of borrowing cost eligible for capitalisation was Nil (2011: 14%), which was the effective interest rate of the specific borrowing.
- The write up is a reversal of depreciation previously charged as result for assessing useful life of fully depreciated assets.

# Notes to the consolidated financial statements

for the year ended 31 December 2012

## 17 INTANGIBLE ASSETS

### Goodwill

	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
At 1 January	-	2,827,792	-	2,827,792
Acquisition of Subsidiary Company	-	-	-	-
Impairment	-	-	-	-
<b>At 31 December</b>	<b>-</b>	<b>2,827,792</b>	<b>-</b>	<b>-</b>

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 goodwill of Tzs 2.8 billion resulted from 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(2011: 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	320,813	320,813	317,376	317,376
Loan repayment	(92,851)	(92,851)	(137,607)	(137,607)
	227,962	227,962	179,769	179,769
Additional shares purchased	239,279	239,279	141,044	141,044
<b>Total</b>	<b>467,241</b>	<b>467,241</b>	<b>320,813</b>	<b>320,813</b>

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	-
Investment in associate company	-	-	-	-
	5,468,104	-	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.

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)	-
	-	-	-	-

## Notes to the consolidated financial statements

for the year ended 31 December 2012

	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
		Unaudited Figure		Audited Figure
<b>Sales</b>	-	1,637,316	-	2,998,258
Operating profit/(loss)	-	(396,607)	-	13,449
Borrowing costs	-	(88,854)	-	(21,721)
Loss before taxation	-	(485,461)	-	(8,272)
Taxation	-	-	-	-
Loss for year	-	(485,461)	-	(23,939)
Share of earnings retained by associates	-	(485,461)	-	(23,939)
Net liabilities during year	-	(525,576)		(74,761)
<b>As at 31 December</b>		<b>As at 31 December</b>		
Share capital	-	659,375	-	659,375
Accumulated loss	-	(744,786)	-	(734,136)
Non-current liabilities	-	45,296	-	45,296
Non-current assets	-	187,998	-	235,920
Net current liabilities	-	(713,574)	-	(265,385)

- (i) The above figures are determined from the latest unaudited financial statements for the year ended 31 December 2012.  
(ii) Equity method of accounting has been consistently used for its interest in the associate.

### 20 INVENTORIES

Raw materials (at cost)	3,646,022	3,646,022	2,764,261	2,764,261
Semi finished and finished products (at cost)	9,523,841	11,724,591	9,743,299	11,595,996
Fuels (at cost)	4,700,774	4,700,774	7,063,143	7,063,143
Parts and consumables (at cost)	14,914,155	14,914,155	16,420,840	16,420,840
Goods In Transit	-	1,462,609	-	1,764,060
	<u>32,784,792</u>	<u>36,448,151</u>	<u>35,991,543</u>	<u>39,608,300</u>
Provision for obsolete stocks	(4,566,086)	(4,566,086)	(3,493,744)	(3,493,744)
<b>Total inventories at the lower of cost and net realisable value</b>	<b><u>28,218,706</u></b>	<b><u>31,882,065</u></b>	<b><u>32,497,799</u></b>	<b><u>36,114,556</u></b>
Movement on the provision for obsolete stocks				
At 1 January	3,493,744	3,493,744	3,445,416	3,445,416
Charge for the year	<u>1,072,342</u>	<u>1,072,342</u>	<u>48,328</u>	<u>48,328</u>
<b>At 31 December</b>	<b><u>4,566,086</u></b>	<b><u>4,566,086</u></b>	<b><u>3,493,744</u></b>	<b><u>3,493,744</u></b>

During 2012, Tzs Nil (2011: 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 52,577 million (2011: Tzs 37,901 million)

During the year, unrealised profit on the inventory was Tzs 1,853 million (2011: Tzs 1,726 million).

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

## Notes to the consolidated financial statements

for the year ended 31 December 2012

	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
<b>21 TRADE AND OTHER RECEIVABLES</b>				
Trade accounts receivable	8,250,796	2,159,324	7,356,644	2,290,245
Advance to Suppliers	285,806	852,952	126,240	268,023
Prepaid expenses	203,161	203,161	367,123	367,123
Staff advances and loans	396,561	396,561	578,120	578,120
Other receivables	2,835	37,148	-	-
<b>Total</b>	<b>9,139,159</b>	<b>3,649,146</b>	<b>8,428,127</b>	<b>3,503,511</b>

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

Days sales outstanding for 2012 were 15 days (2011: 7 days).

No Trade receivables were impaired or fully provided for (2011: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 50 million (2011: Tzs 46 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	8,250,436	1,901,571	7,356,644	2,137,905
31 days	-	172,662	-	-
61 days	360	34,668	-	106,472
Over 91 days	-	50,423	-	45,868
<b>At 31 December</b>	<b>8,250,796</b>	<b>2,159,324</b>	<b>7,356,644</b>	<b>2,290,245</b>

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.

	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
<b>22 CASH AND CASH EQUIVALENTS</b>				
Cash at bank and on hand	38,756,679	40,943,678	9,760,646	12,683,619
<b>Total</b>	<b>38,756,679</b>	<b>40,943,678</b>	<b>9,760,646</b>	<b>12,683,619</b>

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	38,756,679	40,943,678	9,760,646	12,683,619
Bank overdraft	-	(911,922)	-	(934,367)
<b>Net cash and cash equivalent</b>	<b>38,756,679</b>	<b>40,031,756</b>	<b>9,760,646</b>	<b>11,749,252</b>

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	16,500,000	15,000,000	16,500,000
Stanbic Bank Tanzania Limited	4,000,000	4,000,000	4,000,000	4,000,000

# Notes to the consolidated financial statements

for the year ended 31 December 2012

	<b>Company 2012 Tzs'000</b>	<b>Group 2012 Tzs'000</b>	<b>Company 2011 Tzs'000</b>	<b>Group 2011 Tzs'000</b>
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## 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	1.10	0.75	0.75
Tanzania General Public	36.40	36.40	36.75	36.75
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## 24 PROVISION FOR LIABILITIES AND CHARGES

Provision for Quarry Site Restoration				
At 1 January	65,447	65,447	61,446	61,446
Addition provision during the year	4,001	4,001	4,001	4,001
<b>At 31 December</b>	<b>69,448</b>	<b>69,448</b>	<b>65,447</b>	<b>65,447</b>

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 2013. Any increase/(decrease) in the provision is recognised in the consolidated statement of comprehensive income.

	<b>Company 2012 Tzs'000</b>	<b>Group 2012 Tzs'000</b>	<b>Company 2011 Tzs'000</b>	<b>Group 2011 Tzs'000</b>
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## 25 TRADE AND OTHER PAYABLES

Trade accounts payable	5,310,533	9,673,217	9,340,322	14,252,580
Advance from customer	86,160	1,624,926	-	2,505,247
Freight and duty clearing	211,840	211,840	824,244	243,040
Dividend payable	1,370,230	1,370,230	1,370,320	1,370,320
Accrual expenses	2,373,593	2,373,593	852,142	2,236,720
Other payables	9,067,142	9,078,470	5,986,843	6,662,984
<b>Total</b>	<b>18,419,498</b>	<b>24,332,276</b>	<b>18,373,871</b>	<b>27,270,891</b>

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.
- Advance 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.

for the year ended 31 December 2012

## Notes to the consolidated financial statements

	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
<b>25 TRADE AND OTHER PAYABLES</b>				
Trade accounts payable	5,310,533	9,673,217	9,340,322	14,252,580
Advance from customer	86,160	1,624,926	-	2,505,247
Freight and duty clearing	211,840	211,840	824,244	243,040
Dividend payable	1,370,230	1,370,230	1,370,320	1,370,320
Accrual expenses	2,373,593	2,373,593	852,142	2,236,720
Other payables	9,067,142	9,078,470	5,986,843	6,662,984
<b>Total</b>	<b>18,419,498</b>	<b>24,332,276</b>	<b>18,373,871</b>	<b>27,270,891</b>

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.
- Advance 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	993,059	1,109,041	238,749	333,039
Payment made during the year	(13,975,086)	(15,851,516)	(10,247,470)	(11,500,310)
Current year provision (note 17)	14,981,590	17,028,699	11,001,780	12,276,312
<b>At 31 December</b>	<b>1,999,563</b>	<b>2,286,224</b>	<b>993,059</b>	<b>1,109,041</b>

### 26(b) TAX RECOVERABLE

At 1 January	-	5,583,905	-	2,736,355
Payment made during the year	-	6,471,256	-	4,093,168
Current year provision (note 17)	-	(6,411,329)	-	(1,245,618)
<b>At 31 December</b>		<b>5,643,832</b>		<b>5,583,905</b>

### 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	51,967,209	57,060,923	38,248,401	39,868,774
<b>Adjusted for Non cash movement:</b>				
Depreciation (Note 10)	5,133,902	5,462,771	5,001,140	5,353,534
Gain on sale of property, plant & equipment	(33,580)	(47,165)	-	-
Site restoration provision	4,001	4,001	4,001	4,001
<b>Operating profit before working capital changes</b>	<b>57,071,532</b>	<b>62,480,530</b>	<b>43,253,542</b>	<b>45,226,309</b>
(Increase)/decrease in inventory	4,279,093	4,232,491	(7,255,356)	(5,152,483)
(Increase)/decrease in trade and other receivables	(711,032)	(145,635)	(1,307,071)	1,912,475
Increase in tax recoverable	-	(59,927)	-	(2,847,550)
Increase/(decrease) in trade and other payables	45,627	(2,938,615)	6,278,410	6,152,544
<b>Cash generated from operating activities</b>	<b>60,685,220</b>	<b>63,568,844</b>	<b>40,969,525</b>	<b>45,291,295</b>

for the year ended 31 December 2012

## Notes to the consolidated financial statements

	<b>Company 2012 Tzs'000</b>	<b>Group 2012 Tzs'000</b>	<b>Company 2011 Tzs'000</b>	<b>Group 2011 Tzs'000</b>
<b>28 DIVIDEND PAID AND PROPOSED</b>				
Dividend paid during the year				
Dividends on ordinary shares:				
Final dividend 2011: Tzs 47 per share (2010: Tzs 167 per share)	2,992,539	2,992,539	10,599,665	10,599,665
Interim dividend 2012: Tzs 45 per share (2011: Tzs 39 per share)	2,865,197	2,865,197	2,483,171	2,483,171
	5,857,736	5,857,736	13,082,836	13,082,836
Unclaimed dividend rescinded	-	-	(160,841)	(160,841)
<b>Total</b>	<b>5,857,736</b>	<b>5,857,736</b>	<b>12,921,995</b>	<b>12,921,995</b>

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

The final dividend for 2012 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 2012. Dividends not claimed after seven years will be rescinded.

Dividends on ordinary shares:

Final dividend for 2012 Tzs 55 per share (2011: Tzs 47 per share)	<b>3,501,905</b>	<b>3,501,905</b>	<b>2,992,537</b>	<b>2,992,537</b>
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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	464,638	1,176,511	237,476	680,403
- After one year and not more than five years	-	-	125,000	125,000

During the year, the Company charged Tzs 613 million (2011: Tzs 445 million) while the Group charged Tzs 1,325 million (2011: Tzs 888 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			Facility	Repayment/ Settlements terms Interest rate
	Company	Group		
<b>30(a) Standard Chartered Bank Tanzania limited</b>				
Overdraft facility (Tzs'000)	10,000,000	10,000,000	On demand	
Medium Term Loan	10,000,000	10,000,000	Two years	12 months T-Bill +2.20% per annum
Import Letter of Credits Secured - USD	250,000	250,000		
<b>Term loan</b>				
Opening balance 01 January 2011	7,500,000	7,500,000		
Repayment during the year	(5,000,000)	(5,000,000)		
<b>Net balance as at 31 December 2011</b>	<b>2,500,000</b>	<b>2,500,000</b>		
Opening balance 01 January 2012	2,500,000	2,500,000		
Repayment during the year	(2,500,000)	(2,500,000)		
<b>Net balance</b>	<b>-</b>	<b>-</b>		

## Notes to the consolidated financial statements

for the year ended 31 December 2012

Term loan maturity analysis	Company Tzs'000	Group Tzs'000	Company Tzs'000	Group Tzs'000
Maturity within 12 months	-	-	2,500,000	2,500,000
Maturity more than 12 months	-	-	-	-

### Security Held

- Debenture charge over fixed & floating assets shared with National Bank of Commerce (NBC) Limited and Stanbic Bank Tanzania Limited on a pari passu basis;
- Legal Mortgage over Title No. 1802 registered in name of Tanga Cement Factory, Maweni for USD 12 million shared pari passu with NBC and Stanbic Bank Tanzania Limited; and
- The overdraft bears a rate of interest of one year Treasury Bills plus 220 basis points per annum (2011: 220 days Treasury Bills plus 250 basis points) charged monthly on the daily outstanding amount.

### Term Loan

The purpose for Term loan was to facilitate investments in expansion of cement plant. Interest is at 12 months T-Bill + 2.20% per annum. The limits specific terms and conditions are as follows:

- Term loan facility repayable in equal monthly instalments after quarter year grace period;
- The Borrower shall be entitled to repay amounts outstanding under the facility without penalty, on any interest payment date. Amount prepaid are not available for drawing and should be a minimum of Tzs 1 billion.
- All payments made by the Borrower under the facility will be made free and clear of any present and future taxes, levies, import duties, withholdings or deductions of any nature. In event of mandatory withholdings, the Borrower will be obliged to gross-up.

	Company 2012 Tzs'000	Group 2012 Tzs'000	Facility	Group 2011 Tzs'000
<b>30(b) National Bank of Commerce Limited (NBC)</b>	<b>Company</b>	<b>Group</b>		
Bank overdraft	-	911,922	-	934,367
Overdraft facility (Tzs '000)	15,000,000	16,500,000	On demand	

### Security held by the banks

- Debenture charge over fixed & floating assets shared with National Bank of Commerce (NBC) Limited and Stanbic Bank Tanzania Limited on a pari passu basis;
- Legal Mortgage over Title No. 1802 registered in name of Tanga Cement Factory, Maweni for Tzs 21.8 billion shared pari passu with Stanbic Bank Tanzania Limited and SCB; and
- The overdraft bears a rate of interest of NBC base rate of 12% per annum (2011: 12% 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.

### 30 (c) Stanbic Bank Tanzania Limited

Overdraft facility (Tzs '000)	4,000,000	4,000,000	On demand
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### Security held by the banks

- Debenture charge over fixed & floating assets shared with National Bank of Commerce (NBC) Limited and Standard Chartered Bank on a pari passu basis;
- Legal Mortgage over Title No. 1802 registered in name of Tanga Cement Factory, Maweni for Tzs 5 billion shared pari passu with NBC and SCB; and
- The overdraft bears a rate of interest of 364 days Treasury Bills plus 200 basis points per annum with a minimum floor of 14% (2010: 365 days Treasury Bills plus 200 basis points) charged every month on the daily outstanding amount.

# Notes to the consolidated financial statements

for the year ended 31 December 2012

## 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:

	<b>Company 2012 Tzs'000</b>	<b>Group 2012 Tzs'000</b>	<b>Company 2011 Tzs'000</b>	<b>Group 2011 Tzs'000</b>
Sales	189,095,866	-	160,310,773	-
Transportation service rendered by CDEAL	9,465,942	-	11,418,554	-

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

Sales to related parties					
Abbasi Exports Limited	Common	-	88,376	-	54,615
East African Rail Hauliers Limited	Shareholding	-	34,355	-	15,473
Plasco Limited		-	4,226	-	644

### Purchases from related parties

Abbasi Exports Limited	Common	-	6,820,541	-	8,598,836
East African Rail Hauliers Limited	Shareholding	-	1,679,600	-	3,467,880

	<b>Company 2012 Tzs'000</b>	<b>Group 2012 Tzs'000</b>	<b>Company 2011 Tzs'000</b>	<b>Group 2011 Tzs'000</b>
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31(c) The Group utilises the railway facilities of Tanzania Railways Limited, through 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 (2011:Nil) as the Company. However, 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 (2011: Nil).

34(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.

Key Management compensation

Short-term employee benefits (Salary)	1,928,471	2,111,587	1,698,221	1,881,337
Post-employee benefits ( Defined contribution plans)	286,869	303,022	233,031	249,184
	<b>2,215,340</b>	<b>2,414,609</b>	<b>1,931,252</b>	<b>2,130,521</b>

No terminal or other term benefits were paid to key management personnel during the year (2011: Nil).

- As at 31 December 2012, there was no outstanding amount with key management personnel.

- The amounts disclosed in the table above are the amounts recognised as an expenses during the reporting period related to key management personnel.

As at 31 December 2012, there was no outstanding amount with key management personnel.

## Notes to the consolidated financial statements

for the year ended 31 December 2012

### 31 (f) Director emoluments:

Non-executive Chairman	9,099	9,099	17,665	17,665
Non-executive Chairman	38,756	38,756	82,304	82,304
Executive Directors (Included in key management personnel above)	782,000	791,460	654,000	666,150
	<b>829,855</b>	<b>839,315</b>	<b>753,969</b>	<b>766,119</b>

### 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 2011 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: 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	8,145,852	-	7,356,644	-
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#### Due to related Companies

Cement Distributors (EA) Limited	332,882	-	415,378	-
AfriSam South Africa (Pty) Limited	306,858	306,858	111,548	111,548

	<b>Company</b>	<b>Group</b>	<b>Company</b>	<b>Group</b>
	<b>2012</b>	<b>2012</b>	<b>2011</b>	<b>2011</b>
	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>	<b>Tzs'000</b>

### 32 CAPITAL COMMITMENTS

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

Approved and contracted for	<b>8,106,838</b>	<b>8,106,838</b>	<b>3,613,557</b>	<b>3,613,557</b>
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The Boards of Directors of both Tanga Cement Company Limited and its majority shareholder AfriSam have approved the construction of a new Kiln at estimated costs of US\$165 million to be funded through new debt. The feasibility study has been completed and the construction is expected to commence during 2013, subject to final approvals. Included in the capital commitment is Tzs 6,043 million relating to the construction of the new Kiln. Although the financial closure and final approvals have not been completed by the date of this report, management expects to achieve these in a short to medium term.

## Notes to the consolidated financial statements

for the year ended 31 December 2012

### 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 2012 and 31 December 2011. 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.

Interest-bearing loans and borrowings (Note 30)	-	911,922	2,500,000	3,434,367
Trade and other payables (Note 25)	18,419,498	24,332,276	18,373,871	27,270,891
Less: Cash and cash equivalent (Note 22)	(38,756,679)	(40,943,678)	(9,760,646)	(12,683,619)
Net debt	<b>(20,337,181)</b>	<b>(15,699,480)</b>	<b>11,113,225</b>	<b>18,021,639</b>
Capital	145,233,407	146,924,270	116,592,011	116,828,589
Capital and net debt	124,896,226	131,224,790	127,705,236	134,850,228
Gearing ratio	-14%	-11%	10%	15%

### 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 2012 and 2011. 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 2012

## 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		Fair value	
	Company 2012 Tzs'000	Group 2012 Tzs'000	Company 2011 Tzs'000	Group 2011 Tzs'000
<b>Financial assets</b>				
Trade and other receivables	9,139,159	3,649,146	9,139,159	3,649,146
Cash and short-term deposits	38,756,679	40,943,678	38,756,679	40,943,678
<b>Financial liabilities</b>				
Bank overdraft	-	911,922	-	911,922
Trade and other payables	18,419,498	24,332,276	18,419,498	24,332,276
	2011 Company Tzs'000	2011 Group Tzs'000	2011 Company Tzs'000	2011 Group Tzs'000
<b>Financial assets</b>				
Trade and other receivables	8,428,127	3,503,511	8,428,127	3,503,511
Cash and short-term deposits	9,760,646	12,683,619	9,760,646	12,683,619
<b>Financial liabilities</b>				
Interest-bearing loans and borrowings	2,500,000	2,500,000	2,500,000	2,500,000
Bank overdraft	-	934,367	-	934,367
Trade and other payables	18,373,871	27,270,891	18,373,871	27,270,891

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, they are classified as level 3.

All assets and liabilities are classified as level two 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:

### 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 loans and borrowings. The sensitivity analyses in the following sections relate to the positions as at 31 December in 2012 and 2011.

The 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 2012.

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.

# Notes to the consolidated financial statements

for the year ended 31 December 2012

## 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 are 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 2012, 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.

## 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 2012 (2011) based on contractual undiscounted payments.

	On demand Tzs'000	Less than 3 months Tzs'000	3 to 12 months Tzs'000	More than 12 months Tzs'000	Total Tzs'000
Balance as at 31 December					
Bank overdraft	911,922	-	-	-	911,922
Trade and other payables	285,805	24,046,471	-	-	24,332,276
	<b>1,197,727</b>	<b>24,046,471</b>	-	-	<b>25,244,198</b>
Balances as at 31 December 2011					
Interest-bearing loans&borrowings	-	-	2,500,000	-	2,500,000
Bank overdraft	934,367	-	-	-	934,367
Trade and other payables	2,250,371	13,174,964	591,346	-	16,016,681
	<b>3,184,738</b>	<b>13,174,964</b>	<b>3,091,346</b>	-	<b>19,451,048</b>

## 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 difference 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.

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).

## Notes to the consolidated financial statements

for the year ended 31 December 2012

	2012 Increase/decrease in the value of Tzs vs. other currencies	Effect on profit/ loss and equity Tzs'000	2011 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%	17,428	10%	262,578
Net effect based on statement of financial position - Group	10%	75,455	10%	525,156

The Company and Group sensitive analysis has been determined based on Group net transaction exposure as at 31 December 2012, 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 2012 (2011) are summarised in the table below (All amounts expressed in Tzs'000).

### 36 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

#### COMPANY 2012

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

#### COMPANY 2011

<b>ASSETS</b>				
Trade and other receivables	95,526	44,885	-	140,411
Cash and cash equivalents	5,235,092	205,099	100,048	5,540,239
<b>LIABILITIES</b>				
Trade and other payables	5,251,564	-	34,408	5,285,972
Exchange rates during the year were as follows:				
On 1 January 2012	1,566	191	2,027	
On 31 December 2012	1,571	185	2,074	
On 1 January 2011	1,453	219	1,923	
On 1 January 2011	1,566	191	2,027	

# Notes to the consolidated financial statements

for the year ended 31 December 2012

## GROUP 2012

	Exposure in USD	Exposure in ZAR	Exposure in EURO	Total in Function Currency
<b>ASSETS</b>				
Trade and other receivables	90,849	-	-	90,849
Cash and cash equivalents	9,796,618	100,889	22,921,240	32,818,747
<b>LIABILITIES</b>				
Trade and other payables	758,548	173,003	34,408	965,959
<b>GROUP 2011</b>				
<b>ASSETS</b>				
Trade and other receivables	95,526	44,885	-	140,411
Cash and cash equivalents	6,261,086	205,099	100,048	6,566,233
<b>LIABILITIES</b>				
Trade and other payables	5,913,549	-	34,408	5,947,957
Exchange rates during the year were as follows:				
On 1 January 2012	1,566	191	2,027	
On 31 December 2012	1,571	185	2,074	
On 1 January 2011	1,453	219	1,923	
On 1 January 2011	1,566	191	2,027	

## 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 377 million (2011: Tzs 134 million).

As at 31 December 2012 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.

As at 31 December 2012, 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 (2011: Tzs 374 million). In the opinion of the Directors and the Group's legal counsel, no material liabilities are expected to crystallise from these lawsuit.

## 38 EVENTS 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 Opiconsivia Investments 230 (Pty) Limited 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.

## 43 SEGMENT REPORTING

For Management purposes, the Group is organised into business units based on its products. None of these business units meet the definition of an operating segment therefore only one operating segment exists. The majority of revenue is derived from selling of goods( as disclosed in Note 5) and the Board of Directors relies primarily on revenue from sales of goods to assess performance. All sales are local retail. The revenue from external parties reported to the board of directors is measured in a manner consistent with that in the statement of comprehensive income. Management monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. However, Group financing (including Finance costs and Finance income) and income taxes are managed on aggregate basis and are not allocated to operating segments.





## Quality is our Pride;

Our commitment to quality always stands out This was evident by the presentation of certificates by NBAA for the Best presented Financial Statements in 2011.

1. Award for overall Winner 2011
2. First winner in Manufacturing and Distributions category 2011

# ANNUAL REPORT 2012

## Notice to Members

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

Notice is hereby given that the nineteenth Annual General Meeting of the shareholders of Tanga Cement Company Limited will be held at Hyatt Regency Dar es Salaam, The Kilimanjaro, on Friday 17 May 2013 at 14:00 hours, for the following purposes:

**1. Notice of Meeting**

Notice convening the meeting be taken as read.

**2. Approval of Minutes**

To approve and sign the minutes of the eighteenth Annual General Meeting held on 18 May 2012.

**3. Financial Statements and Directors' Reports**

To receive and adopt the Financial Statements and Directors' report for the year ended 31 December 2012.

**4. Dividend for the year ended 31 December 2012**

To approve the declaration of the dividend for the year ended 31 December 2012.

**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 2013.

**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 or proxies are required to bring with them depository receipt and identification card for registration purpose.

By order of the Board.



Company Secretary  
15 April 2013

# TAARIFA YA MWAKA 2012

## Taarifa Kwa Wanachama

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

Taarifa inatolewa kwa wanahisa kwamba Mkutano Mkuu wa Mwaka wa kumi na tisa wa wanahisa wa Kampuni ya Tanga Cement utafanyika Hoteli ya Hyatt Regency Dar es Salaam, The Kilimanjaro, Ijumaa tarehe 17 Mei 2013 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 nane uliofanyika tarehe 18 Mei 2012.

#### 3. Taarifa za Fedha na Ripoti za Wakurugenzi

Kupokea na kupitisha Taarifa za Fedha na ripoti za Wakurugenzi kwa mwaka ulioishia tarehe 31 Desemba 2012.

#### 4. Gawio kwa Mwaka Ulioishia tarehe 31 Desemba 2012

Kuidhinisha taarifa maalumu ya gawio kwa mwaka ulioishia tarehe 31 Desemba 2012.

#### 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 2013.

#### 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 zike katika osi za usajili za Kampuni si chini ya masaa 48 kabla ya mkutano kuanza. Wanachama au wawakilishi wanatakiwa kuja na risiti ya amana na kitambulisho kwa ajili ya usajili.

Kwa agizo la Bodi.



Katibu wa Kampuni  
15 Aprili 2013



**REGISTERED OFFICE**

**Tanga Cement Company Limited**

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P O Box 5053, Tanga, Tanzania  
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Mob: +255 784 644500  
Fax: +255 27 2646148

Website: [www.simbacement.co.tz](http://www.simbacement.co.tz)

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**CEMENT**  
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