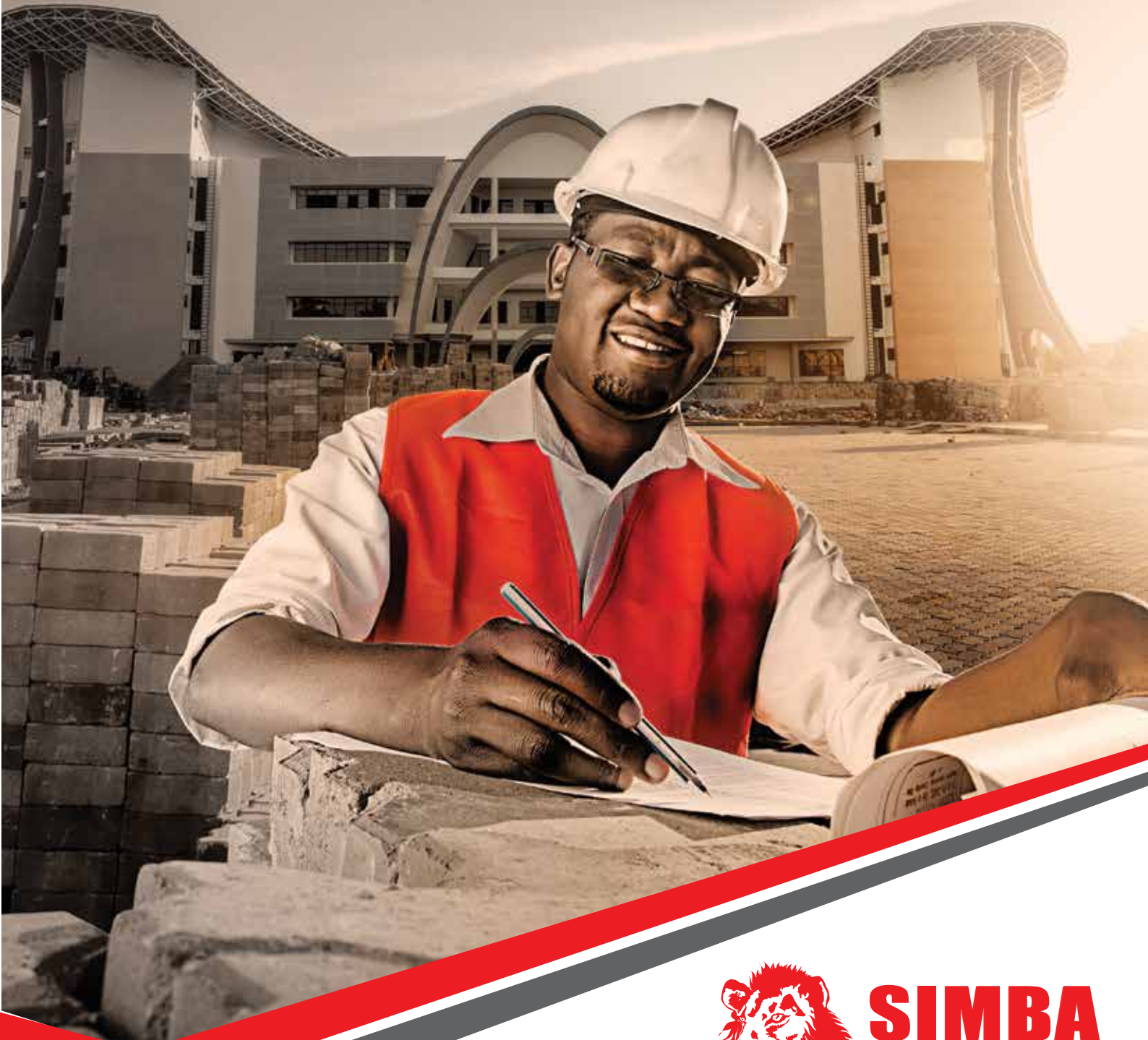


TANGA CEMENT PUBLIC LIMITED COMPANY

ANNUAL REPORT
TAARIFA YA MWAKA

2014



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Yaliyomo

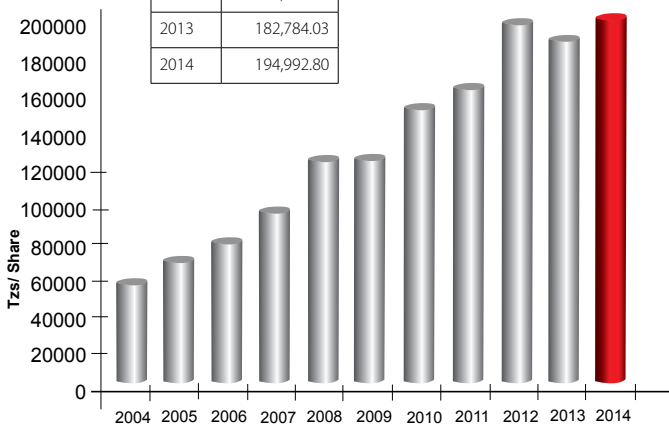
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Financial Summary

Dividend per share: **2013 : Tzs 110**
2014 : Tzs 120

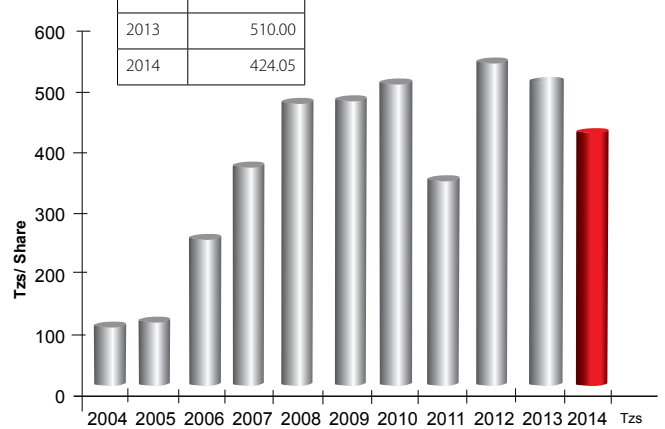
| Year | Tzs Millions |
|------|--------------|
| 2004 | 54,352.10 |
| 2005 | 67,022.75 |
| 2006 | 77,626.65 |
| 2007 | 93,784.00 |
| 2008 | 121,349.00 |
| 2009 | 119,898.00 |
| 2010 | 149,181.00 |
| 2011 | 161,436.00 |
| 2012 | 195,604.00 |
| 2013 | 182,784.03 |
| 2014 | 194,992.80 |

Revenue



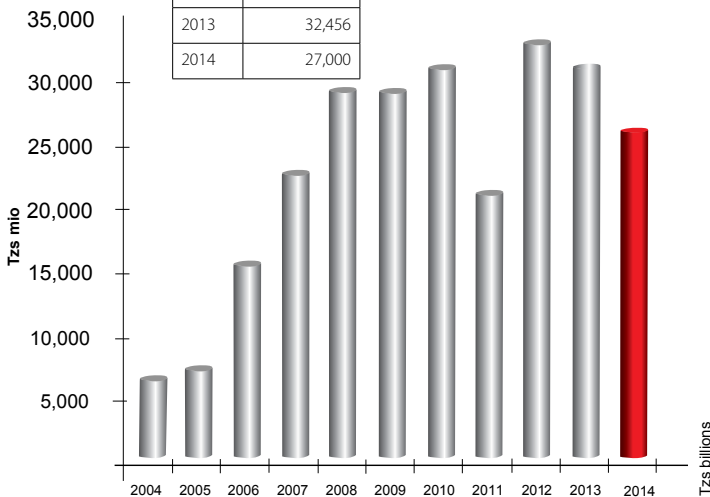
| Year | Tzs |
|------|--------|
| 2004 | 102.00 |
| 2005 | 113.60 |
| 2006 | 251.24 |
| 2007 | 370.51 |
| 2008 | 475.15 |
| 2009 | 477.77 |
| 2010 | 506.00 |
| 2011 | 344.00 |
| 2012 | 541.00 |
| 2013 | 510.00 |
| 2014 | 424.05 |

Earning per share



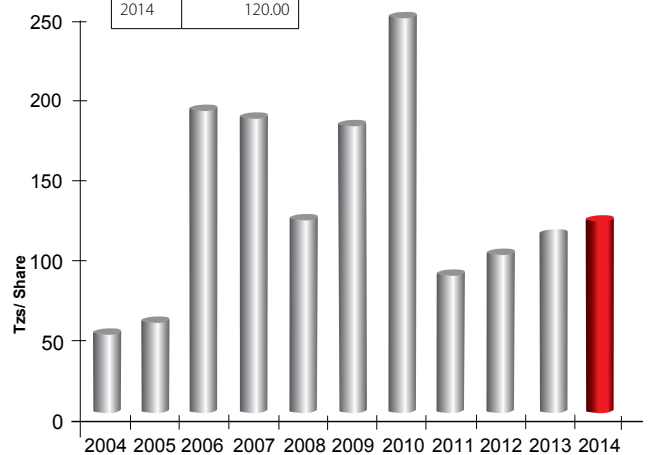
| Year | Tzs Millions |
|------|--------------|
| 2004 | 6,517 |
| 2005 | 7,233 |
| 2006 | 15,997 |
| 2007 | 23,591 |
| 2008 | 30,253 |
| 2009 | 30,420 |
| 2010 | 32,194 |
| 2011 | 21,929 |
| 2012 | 34,450 |
| 2013 | 32,456 |
| 2014 | 27,000 |

Profit after taxation



| Year | Tzs |
|------|--------|
| 2004 | 51.00 |
| 2005 | 57.00 |
| 2006 | 188.00 |
| 2007 | 185.00 |
| 2008 | 120.00 |
| 2009 | 179.00 |
| 2010 | 247.00 |
| 2011 | 86.00 |
| 2012 | 100.00 |
| 2013 | 110.00 |
| 2014 | 120.00 |

Dividend per share

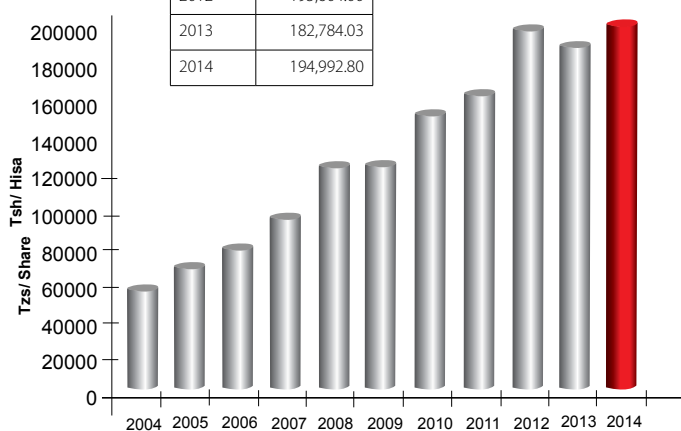


Vidokezo Vya Mapato

Gawio kwa hisa: **2013 : Tzs 110**
2014 : Tzs 120

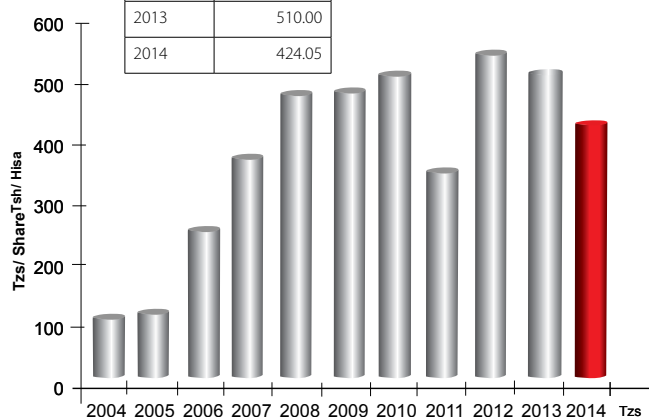
| Mwaka | Tsh Milioni |
|-------|-------------|
| 2004 | 54,352.10 |
| 2005 | 67,022.75 |
| 2006 | 77,626.65 |
| 2007 | 93,784.00 |
| 2008 | 121,349.00 |
| 2009 | 119,898.00 |
| 2010 | 149,181.00 |
| 2011 | 161,436.00 |
| 2012 | 195,604.00 |
| 2013 | 182,784.03 |
| 2014 | 194,992.80 |

Mapato



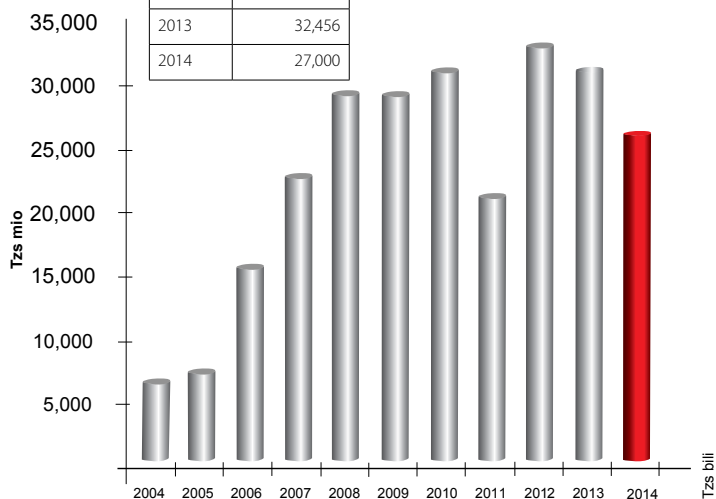
| Mwaka | Tsh |
|-------|--------|
| 2004 | 102.00 |
| 2005 | 113.60 |
| 2006 | 251.24 |
| 2007 | 370.51 |
| 2008 | 475.15 |
| 2009 | 477.77 |
| 2010 | 506.00 |
| 2011 | 344.00 |
| 2012 | 541.00 |
| 2013 | 510.00 |
| 2014 | 424.05 |

Mapato kwa Hisa



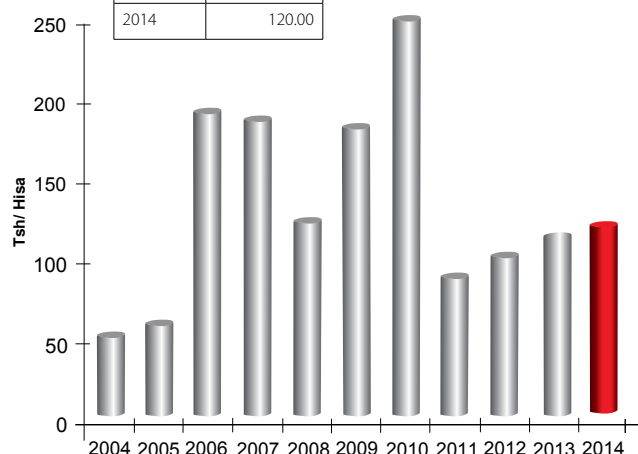
| Mwaka | Tsh Milioni |
|-------|-------------|
| 2004 | 6,517 |
| 2005 | 7,233 |
| 2006 | 15,997 |
| 2007 | 23,591 |
| 2008 | 30,253 |
| 2009 | 30,420 |
| 2010 | 32,194 |
| 2011 | 21,929 |
| 2012 | 34,450 |
| 2013 | 32,456 |
| 2014 | 27,000 |

Faida baada ya Kodi



| Mwaka | Tsh |
|-------|--------|
| 2004 | 51.00 |
| 2005 | 57.00 |
| 2006 | 188.00 |
| 2007 | 185.00 |
| 2008 | 120.00 |
| 2009 | 179.00 |
| 2010 | 247.00 |
| 2011 | 86.00 |
| 2012 | 100.00 |
| 2013 | 110.00 |
| 2014 | 120.00 |

Gawio kwa Hisa



Directors' Profiles | Maelezo mafupi kuhusu Wakurugenzi

Lawrence Masha (44) Board Chairperson Tanzanian

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



Reinhardt Swart (41) Managing Director South African

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



Mwenyekiti (44) Mtanzania

- LLM (Kimataifa na Sheria Linganishi),
- Lawrence ni Mkurugenzi mwenzwa wa Ishengoma, Karume, Masha na Magai (Mawakili),
- Amekuwa Mkurugenzi Mtendaji wa Tanzania Oxygen, Mjumbe wa Bodi ya Tanzanite One (T) Limited, na mmoja wa wajumbe waanzilishi wa Baraza la Soko la Hisa la Dar Es Salaam,
- Mjumbe wa Bodi ya Blue Financial Services,
- Mjumbe wa Tanganyika Law Society na East Africa Law Society,
- Mkurugenzi na m-bia katika Kampuni ya Basix East Africa Limited.

Mkurugenzi mtendaji (41) Mwafrika Kusini

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

Maelezo mafupi kuhusu Wakurugenzi | Directors' Profiles

Khamis Omar (50)
(Non-Executive)
Tanzanian

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



Cornelius Kariwa (54)
(Non-Executive)
Tanzanian

- LLB (Hons), LLM (IT & T)
- Cornelius is the past Chairperson, Association of Tanzania Employers (ATE) (2008-2012)
- Former Member of Board of Trustees, National Social Security Fund (NSSF)
- Former member of National Labour Economic & Social Counsel (LESCO)
- Chairman, TRACE.
- Legal Consultant – HR Management; OD & Industrial Relations
- Practicing Advocate of the High Court of Tanzania
- Member of ATE; TLS



Si-Mtendaji (50)
Mtanzania

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

Si-Mtendaji (54)
Mtanzania

- LLB (Hons), LLM (IT & T),
- Cornelius ni mwenyekiti aliyepita wa Chama cha Waajiri Tanzania (ATE),
- Mjumbe wa zamani wa bodi ya Wadhamini ya Shirika la Hifadhi za Jamii
- Mjumbe wa zamani wa LESCO.
- Mwenyekiti wa TRACE.
- Mshauri wa masuala ya Uongozi-Rasilimali watu, maendeleo ya oganizasheni na mahusiano ya utendaji.
- Ni wakili wa Mahakama Kuu ya Tanzania,



Dr Stephan Olivier (55)
(Non-Executive)
South African

- Dr Stephan Olivier is the Chief Executive Officer of AfriSam,
- He has held various positions in AfriSam, including Director for Marketing and Technical, Chief Operating Officer for Cement Operations,
- Serves on a number of industry bodies and committees.

Si-Mtendaji (54)
Mwafrika Kusini

- Dk Stephan Olivier ni Afisa Mtendaji Mkuu wa AfriSam,
- Amewahi kushika nyadhifa mbalimbali katika Kampuni ya AfriSam ikiwemo cheo cha Mkurugenzi wa Masoko na ufundi na Afisa Msimamizi mkuu wa masuala ya sementi,
- Amekuwa ni mjumbe wa kamati ya usimamizi ya Umoja wa wazalishaji wa malighafi za saruji tangu mwaka 2006 na amekuwa mjumbe wa kamati ya ufundi ya Holcim tangu mwaka 2004.
- Yuko kwenye taasisi na Kamati mbalimbali katika sekta ya ujenzi.

Maelezo mafupi kuhusu Wakurugenzi | Directors' Profile

Trevor Wagner (67) (Non-Executive)

South African

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



Mwinda Mfugale (40) (Non-Executive)

Tanzanian

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



Si-Mtendaji(67)

Mwafrika Kusini

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

Si-Mtendaji (40)

Mtanzania

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

Directors' Profile

Maelezo mafupi kuhusu Wakurugenzi

Leon Serfontein (40) (Non-Executive)

South African

- B.Com Accounting(Hons), CA(SA),
- Leon has been employed by AfriSam from 1 July 2000,
- He is the Chief Financial Officer for AfriSam,
- Director of AfriSam Group as well as various subsidiary companies within the AfriSam Group
- Member of the South African Institute of Chartered Accountants ("SAICA").



David Lee (56) Company Secretary

British

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



Si-Mtendaji (40)

Mwafika Kusini

- B.Com Accounting (Hons), CA(SA)
- Leon ameajiriwa na AfriSam kuanzia tarehe 1 Julai 2000.
- Ni Afisa Mkuu wa Fedha wa AfriSam.
- Mkurugenzi wa Kampuni hodhi, AfriSam pamoja na makampuni yaliyochini ya kampuni hodhi AfriSam
- Ni mwanachama wa taasisi ya uhasibu ya Afrika Kusini (SAICA).

Katibu wa Kampuni (56)

Mwingereza

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

Chairperson's Statement



Introduction

During 2014 Tanga Cement Public Limited Company celebrated some significant milestones and successes achieved in executing its strategy and living up to its brand promise of being the 'Pride of the Nation'. We are proud of our contribution towards the development of Tanzania, but more importantly the lives of the Tanzanian people we are able to touch and enhance due to our business activities.

Macro-Economic Overview

General market conditions during the period under review have been tough, but positive. We experienced an increased influx of imports from neighboring East African countries such as Kenya, which was further enabled by the removal of tariffs between East African countries and easy access to our major markets in Northern regions by competing brands.

At the same time, cheap imports from the Middle East countries have continued to enter Tanzanian markets creating unfair competition as they benefit from widespread acts of tax evasion through declaration of prices and volumes delivered into local markets. Increased smuggling of cement across the border into Kilimanjaro and Arusha added pressure to local markets and prices. We are lobbying with Government as well as the Fair Competition Commission on control of cheaper imports including manufacturing substitutes.

We have been pleased with the improvements of rail infrastructure in Tanzania which has boosted the company's utilisation of rail as a means of transport which resulted in a slight decrease on the reliance of more expensive road transport. We look forward to further improvements by Tanzania Railways Ltd. in 2015.

Operational Overview

Despite the challenging market conditions, the group managed to record a satisfactory financial performance with operating profit being 16 percent (16%) below 2013. This included a goodwill impairment of Tanzania shillings six point nine billion (TZS 6.9 bill) which if excluded, would result in a decrease of only two percent (2%) compared to 2013. This performance can be attributed to increased direct sales to customers and active initiatives to control and reduce costs. A reflection of this is that our cost of sales remained relatively unchanged at Tanzania shillings one hundred sixty one point five billion (TZS 161.5 bill) (2013; TZS 161.4 billion) despite forty percent (40%) increase in TANESCO's electricity tariffs which is a major component of production cost.

“ The board has recommended a final dividend of Tanzania shillings sixty five (TZS 65) per share (2013: TZS 60). This amounts to a total final dividend of Tanzania shillings four point one billion (TZS 4.1 bill). ”

Improving operational efficiencies and containing production costs continues to be a major focus for the company. We experienced some set-backs in terms of overall equipment efficiencies (OEEs) due to some equipment failure during the year. Improving on OEEs will be a significant focus during 2015.

The company's net profit after tax decreased by twelve percent (12%) to Twenty eight point four billion (TZS 28.4 bill) . This is as a result of the once-off impairment of goodwill.

A major milestone achieved during the year was the complete integration of CDEAL, providing the company with full ownership of the sales and distribution arm of the business. The acquisition will ensure improved integration and strategic alignment with Tanga Cement Plc in executing its strategy.

The construction of a second kiln line at Tanga Cement Plc is making good progress and is still on track to produce its first clinker in the last quarter of 2015. Once completed, the second kiln line will more than double Tanga Cement Plc's clinker production capacity and result in significant cost savings for the company.

Sustainability

Safety remains our priority and 2014 was no different. We undertook the utmost care to return each employee home safe at the end of each shift. Whilst we recorded good results on maintaining a low total recordable injury frequency rate (TRIFR) of below one (1) against a target of six point four (6.4), we unfortunately had a fatality at the kiln at the end of April 2014. This was thoroughly investigated and a lot of lessons were drawn from the incident. We have implemented these lessons to avoid similar incidents from recurring in the future.

Our environmental performance has remained on track, with the critical emissions below the legal limit on a monthly average basis throughout the year. The performance and availability of the monitoring equipment was however an issue, as we could not get the full benefit of anticipated measurements from it. Phase out of equipment is being considered in mitigation. For the first time a baseline environmental monitoring program was implemented on site, we now await the initial results from the sampling and measurements. Tanga Cement Plc continued to support the local communities by focusing in the four main areas of Education, Health, Community development and Environment.

Future Outlook

We expect the coming year to remain challenging and expect we will continue to deliver satisfactory results. A number of projects have been approved by Government and private investors, and these should increase demand for our products. Among the exciting projects is the development of Kawe City, Tanzanite Mall and Tanzania China Logistic centre in Dar es Salaam, and the expansion of Dar es Salaam port.

Dividends

The board has recommended a final dividend of Tanzania shillings sixty five (TZS 65) per share (2013: TZS 60). This amounts to a total final dividend of Tanzania shillings four point one billion (TZS 4.1 bill).

Closure of Share Register

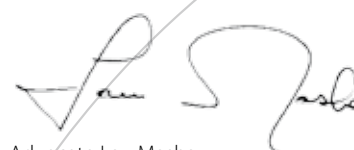
The register of members will close 20 April 2015. The last day of trading cum-dividend will be 15 April 2015. The final dividend will be paid on or about 31 May 2015.

Conclusion

Our majority shareholder, AfriSam, increased its shareholding from sixty two point five percent (62.5%) to sixty six point six percent (66.6%) during the year. We are proud of our association with this formidable construction materials company and Tanga Cement Plc has benefited greatly over the years from the knowledge and expertise gained through this relationship. In turn, Tanga Cement Plc is a critical component and valuable contributor to the growth and success of the AfriSam Group. We look forward to the many successes both companies will achieve through our close association.

Finally, on behalf of the Board of Directors, I would like to thank the employees of Tanga Cement Plc for the passion they have for the company and their commitment to ensuring its success. And I also thank the board of directors for their support and our esteemed customers for their loyalty.

We look forward to celebrating many more successes together in 2015



Advocate Lau Masha
Chairperson of the Board

Waraka wa Mwenyekiti



Utangulizi

Katika kipindi cha mwaka 2014, Tanga Cement Plc ilisherehekea baadhi ya malengo muhimu na mafanikio yaliyopatikana katika utekelezaji wa mkakati wake wa kuishi kutokana na chapa yake na ahadi yake ya kuwa 'Jivunio la Taifa'. Tunayo fahari kwa mchango wetu kuelekea maendeleo ya Tanzania, lakini la muhimu zaidi ni kwa maisha ya watazania ambayo tunaweza kuyagusa na kuyaboresha kutokana na shughuli zetu za biashara.

Mtazamo kuhusu uchumi

Hali ya masoko kwa ujumla katika kipindi cha taarifa hii imekuwa ni ngumu, lakini chanya. Tumeendelea kuathiriwa na ongezeko la uagizaji wa sementi kutoka nchi jirani za Afrika Mashariki kama vile Kenya, ambao umechochewa zaidi na kuondolewa kwa ushuru kati ya nchi za Afrika Mashariki na uingaji rahisi wa bidhaa shindani kwenye masoko yetu makuu ya kanda ya Kaskazini.

Wakati huo huo, bidhaa haffu kutoka Nchi za Mashariki ya kati zimeendelea kuingia kwenye soko la Tanzania na kujenga ushindani usio sawa kwani waingizaji wanafaidika na ukwepaji mkubwa wa kodi kwa kutoeleza bei halisi na wingi wa mizigo inayoingizwa katika masoko ya ndani. Ongezeko la magendo ya sementi katika mipaka ya nchi yetu na mikoa ya Kilimanjaro na Arusha limeongeza shinikizo kwa masoko ya ndani na bei. Tunajaribu kuishawishi Serikali pamoja na Tume ya Ushindani katika kudhibiti uagizaji wa bidhaa haffu pamoja na uzalishaji wa bidhaa mbadala.

Tumeridhishwa na maboresho ya miundombinu ya reli nchini Tanzania, ambayo yamesaidia kuinua matumizi mazuri ya reli kwa Kampuni yetu kama njia ya usafirishaji yaliyopelekea kupunguza kidogo utegemezi wa usafiri ghali wa barabara. Tunatarajia maboresho zaidi kwa mwaka 2015 kutoka Kampuni ya Reli Tanzania.

Muhtasari wa kiutendaji

Licha ya mazingira ya soko kuwa magumu, Kampuni (kundi) yetu imeweza kuwa na rekodi inayoridhisha ya utendaji kifedha ikiwa na faida ya uendeshaji ya asilimia kumi na sita (16%) chini ya kiwango cha mwaka 2013. Hii ni pamoja na kufutwa kwa shilingi za kitanzania billioni sita nukta tisa (TSH 6.9 bil) kutoka kwenye uwekezaji wa kampuni dada Cement Distributors East Africa Limited (CDEAL) ambapo zisingefutwa, zingesababisha upungufu kwa asilimia mbili (2%) ikilinganishwa na mwaka 2013. Utendaji huu unaweza kuhusishwa na mauzo ya moja kwa moja kwa wateja wetu na mipango iliyoanzishwa ya kudhibiti na kupunguza gharama. Hii imeweza kuakisiwa na gharama zetu za mauzo kutobadilika na kubaki kuwa shilingi bilioni mia moja sitini na moja nukta tano (TSH161.5 bil) (mwaka 2013 ilikuwa bilioni 161.4) licha ya ongezeko la asilimia arobaini (40%) la gharama za umeme wa TANESCO ambazo ni sehemu kubwa ya gharama za uzalishaji.

“Bodi imependekeza gawio la mwisho kuwa shilingi sitini na tano (TSH 65) kwa kila hisa (2013: shilingi 60). Hii ni sawa na jumla ya gawio la mwisho la shilingi za kitanzania bilioni nne nukta moja (TSH 4.1 bilioni).”

Kuboresha ufanisi wa kazi na kudhibiti gharama za uzalishaji vinabaki kuwa lengo kubwa kwa Kampuni. Tulipata baadhi ya vikwazo katika ufanisi wa vifaa kwa ujumla (OEEs) kutokana na baadhi yake kushindwa kufanya kazi katika kipindi hiki. Uboreshaji wa ufanisi wa vifaa (OEEs) kwa ujumla utakuwa ndio lengo kubwa kwa mwaka 2015.

Faida halisi ya Kampuni baada ya kodi ilipungua kwa asilimia kumi na mbili (12%) mpaka kufikia shilingi bilioni ishirini na nane nukta nne (TSH28.4 bil). Haya ni matokeo ya kufutwa kwa sehemu katika uwekezaji kwenye Kampuni dada, Cement Distributors East Africa Limited (CDEAL).

Hatua kubwa ya mafanikio iliyopatikana mwaka huu ni kumaliza uunganishaji wa Kampuni ya usambazaji, Cement Distributors East Africa Limited (CDEAL) na Tanga Cement Plc, ambayo imeipatia Tanga Cement Plc umiliki kamili wa mauzo na usambazaji wa bidhaa zetu na uendeshaji biashara. Upatikanaji huu utahakikisha maboresho ya muunganiko na kufanya mipango ya Kampuni hii isaidie utekelezaji wa mipango mkakati ya Tanga Cement Plc.

Ujenzi wa tanuru ya pili unaendelea vizuri na kwamba muelekeo ni kuzalisha klinka yake ya kwanza mwishoni mwa robo ya nne ya mwaka 2015. Mara baada ya kukamilika, tanuru hii ya pili itaongeza uwezo wa uzalishaji kwa zaidi ya mara mbili ya kiwango cha uzalishaji wa klinka kwa Tanga Cement Plc na matokeo yake ni kuokoa gharama muhimu za Kampuni.

Uendelevu

Usalama unabaki kuwa kipaumbele chetu na kwa mwaka 2014 hakukuwa na tofauti. Tulifanya uangalifu mkubwa katika kumrudisha kila mfanyakazi nyumbani kwa usalama kila baada ya kazi. Wakati tukiweka kumbukumbu ya matokeo mazuri katika kudumisha jumla ya kiwango cha chini cha madhara (TRIFR) chini ya moja (1) dhidi ya lengo la sita nukta nne (6.4), kwa bahati mbaya tulikuwa na ajali kwenye tanuru iliyosababisha kifo mwishoni mwa mwezi Aprili 2014. Hili lilichunguzwa kwa kina na mafunzo mengi kutolewa kutokana na tukio hilo. Tumetekeleza mafunzo hayo ili kuepusha kutokea tena kwa matukio kama hayo hapo baadaye.

Utendaji wetu kimazingira umebaki kama ulivyopangwa, hii ni pamoja na uzalishaji vumbi wa chini ya kikomo cha wastani uliowekwa kisheria wa kila mwezi kwa mwaka mzima. Hata hivyo utendaji na upatikanaji wa vifaa vya usimamizi ulikuwa ni tatizo, kwani hatukuweza kupata faida kamili ya vipimo vilivyotarajiwa. Uondoaji wa vifaa ni mkakati unaofikiriwa. Kwa mara ya kwanza programu ya msingi ya usimamizi wa mazingira imetekelezwa kiwandani, kwa sasa tunasubiri matokeo ya awali kutoka kwenye sampuli na vipimo.

Tanga Cement Plc iliendelea kusaidia jamii ya ndani kwa kulenga sehemu nne muhimu za elimu, mazingira, afya na maemdeleo ya jamii.

Matarajio ya Baadae

Tunatarajia mwaka ujao kubaki kuwa wenye changamoto na tutaendelea kutoa matokeo yakuridhisha. Miradi mingi imepitishwa na Serikali na wawekezaji binafsi, na hii haina budi kuongeza mahitaji ya bidhaa zetu. Miongoni mwa miradi inayosisimua ni ujenzi wa Kawe City, Tanzanite Mall, Tanzania China Logistic Center, Dar es Salaam na upanuzi wa bandari ya Dar es Salaam.

Gawio

Bodi imependekeza gawio la mwisho kuwa shilingi sitini na tano (TSH 65) kwa kila hisa (2013: TSH 60). Hii ni sawa na jumla ya gawio la mwisho la shilingi za kitanzania bilioni nne nukta moja (TSH 4.1bil).

Kufungwa kwa rejesta ya Hisa

Rejesta ya wanachama itafungwa tarehe 20 Aprili 2015. Siku ya mwisho ya biashara pamoja na gawio ni tarehe 15 Aprili 2015 na gawio la mwisho litalipwa tarehe 31 Mei 2015.

Hitimisho

Mwanahisa wetu mkubwa, AfriSam, ameongeza umiliki wa hisa kutoka asilimia sitini na mbili nukta tano (62.5%) mpaka asilimia sitini na sita nukta sita (66.6%) katika kipindi cha mwaka 2014. Tunajivunia uhusiano wetu na Kampuni hii imara ya vifaa vya ujenzi na Tanga Cement Plc tumefaidika kwa kiasi kikubwa kwa miaka mingi kwa kupata maarifa na utaalum kutokana na uhusiano huu. Kwa upande mwingine, Tanga Cement Plc ni sehemu muhimu na ni mchangiaji mwenye thamani katika ukuaji na mafanikio ya kampuni ya AfriSam. Tunatarajia mafanikio mengi kupatikana kwa kampuni zote kupitia uhusiano wetu huu wa karibu.

Mwisho, kwa niaba ya Bodi ya Wakurugenzi, napenda kuwashukuru wafanyakazi wa Tanga Cement Plc kwa shauku waliyonayo kwa Kampuni na dhamira waliyonayo katika kuhakikisha mafanikio yake. Na pia nawashukuru wakurugenzi wa bodi kwa ushirikiano wao na wateja wetu kwa uaminifu wao.

Tunatarajia kushehereka kwa pamoja mafanikio zaidi kwa mwaka 2015.



Wakili Lau Masha
Mwenyekiti wa Bodi

Managing Director's Report



General market condition

General market conditions during the period under review have been tough, but positive. We experienced an increased influx of imports from neighbouring East African countries such as Kenya, which was further enabled by the removal of tariffs between East African countries and easy access to our major markets in Northern regions by competing brands. The new entrants in our markets experienced tax protection as part of new regulations aimed at encouraging investments. These measures have enabled products from neighbouring countries to undercut prices in local markets to our detriment. At the same time, cheap imports from the Middle East have continued to enter Tanzanian markets creating unfair competition.

These countries benefit from widespread acts of tax evasion via under-declaration of prices and volumes delivered into local markets. Increased smuggling of cement across the border into Kilimanjaro and Arusha added to pressure in local markets and prices. We are lobbying with Government as well as the Fair Competition Commission on control of cheaper imports, including manufacturing substitutes.

Operations

Despite some of these challenges, Tanga Cement Plc managed to post a positive financial performance during 2014 when compared to 2013. Our EBITDA for the past year was ten percent (10%) lower than budget, but four percent (4%) higher than that achieved in the same period in 2013. This has been attributed to increased direct sales to our customers that achieved higher margins and active initiatives on fixed cost control. On the costs side, we have managed to decrease our overtime costs compared to the same period in 2013. We experienced a significant decrease in third party services costs following renegotiation of several contracts with suppliers and a decrease in thermal energy cost following renegotiation of coal supply contract.

Sustainability

Safety remains our priority and 2014 was no different. We undertook the utmost care to return each employee home safe at the end of each shift. Whilst we recorded good results on maintaining a low TRIFR of below one (1) against a target of six point four (6.4), we unfortunately had a fatality at the

“ Our EBITDA for the past year was ten percent (10%) lower than budget, but four percent (4%) higher than that achieved in the same period in 2013 ”

kiln at the end of April 2014. This was thoroughly investigated and a lot of lessons were drawn from the incident. We have implemented solution based on these learnt in order to avoid similar incidents from recurring. Our environmental performance remains on track, with the critical emissions below the legal limit on a monthly average basis throughout the year. The performance and availability of the monitoring equipment was however an issue, as we could not get the full benefit of anticipated measurements from it. Phase-out of equipment is being considered in mitigation. For the first time a baseline environmental monitoring programme was implemented on site; we now await the initial results from the sampling and measurements.

Customer value management

As much as there were encounters that we could manage or control, certain challenges were out of our hands; this included the lack of stable policy in Governmental institutions, leading to reallocation of funds to unplanned projects. This impacted on our budgets as infrastructural projects were shelved. The country also continues to experience weak financial and funding structures. This impacts most projects – such as road infrastructure developments – that are dependent on fuel levy collection, which has a high evasion rate. With regard to logistics, we continue to suffer due to old, low capacity and poor rail performance. Moving of some products is affected as there is no dedicated and reliable rail infrastructure to service the cement sector. Hidden costs in the power sector lead to a high financial burden in emergency power, as well as low access to rural areas coupled with poor quality service. To mitigate the impact of this, Tanga Cement Plc is moving away from owning and controlling supply depots and, instead towards independent distributors with their own lower cost logistics. We are also exploring means of cheaper back-haul transport, especially during crop harvesting seasons. We are also investigating opportunities of owning rail wagons through an affiliated company, whilst we continue to engage

Tanzania Rail Limited (TRL) to push for proper and more efficient cement transport means. We continue to lobby other Governmental institutions to improve services and reduction of operation costs, e.g. the power supply agreement signed with the utility company. In a globalised environment, poor telecommunication infrastructure is a hindrance to doing business. In Tanzania, GSM commercial coverage is only at 65% compared to other East African countries where the average coverage is at 90%. Furthermore, dependency on foreign funding has been problematic as some donors have stopped providing their support due to the misappropriation of some funds done by the Government.

Construction of a second kiln line

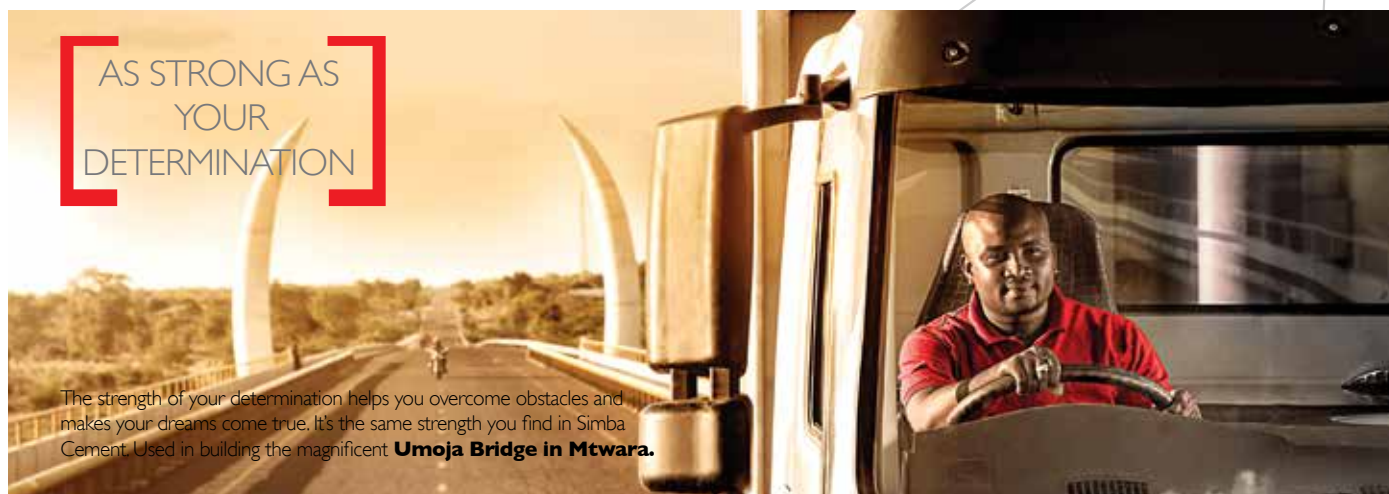
The construction of a second kiln line at Tanga Cement Plc is making good progress and is still on track to produce its first clinker in the last quarter of 2015. Once completed, the second kiln line will more than double Tanga Cement Plc's clinker production capacity, which will result in significant cost saving for the Company.

Looking into 2015

We expect the coming year to remain tough, but we should continue on the positive financial path. A number of projects have been approved by the Government and private investors and these should increase demand for our products. Among the exciting projects is the development of Kawe City, Tanzanite Mall and Tanzania China Logistic centre, Dar es Salaam and the expansion of Dar es Salaam port.



Reinhardt Swart
Managing Director



The strength of your determination helps you overcome obstacles and makes your dreams come true. It's the same strength you find in Simba Cement. Used in building the magnificent **Umoja Bridge in Mtwara.**

Taarifa ya Mkurugenzi Mtendaji



Hali ya soko kwa ujumla

Hali ya soko kwa ujumla katika kipindi hiki imekuwa ngumu, lakini chanya. Tumepambana na ongezeko la utitiri wa bidhaa kutoka nchi jirani za Afrika Mashariki kama vile Kenya, ambalo liliwezesha zaidi na kuondolewa kwa ushuru kati ya nchi za Afrika Mashariki na uingiaji rahisi kwenye masoko yetu makubwa katika mikoa ya Kaskazini pamoja na bidhaa shindani. Washindani wapya katika masoko yetu walipata nafuu ya kodi kama sehemu ya kanuni mpya yenye lengo la kuhamasisha uwekezaji. Hatua hizi zimewezesha bidhaa kutoka nchi jirani kudhoofisha bei katika masoko ya ndani na madhara kuwa kwetu. Wakati huo huo, bidhaa haffu kutoka Mashariki ya Kati zimeendelea kuingia katika masoko ya Tanzania na kujenga ushindani usio wa haki.

Nchi hizi zinanufaika na ukwepaji kodi ulioenea kutokana na waingizaji kutoeleza thamani halisi na kiasi halali cha mizigo inayoingizwa katika masoko ya ndani. Kuongezeka kwa magendo ya sementi kupitia mipaka ya mikoa ya Kilimanjaro na Arusha kumeongeza shinikizo katika masoko ya ndani na pia shinikizo katika bei. Tunaishawishi Serikali ikiwa ni pamoja na Tume ya haki ya ushindani juu ya udhibiti wa bidhaa haffu, ikiwa ni pamoja na uzalishaji wa bidhaa mbadala.

Uendeshaji

Pamoja na baadhi ya changamoto hizi, Tanga Cement Plc imeweza kufanya vizuri kwa upande wa fedha kwa mwaka 2014 ikilinganishwa na mwaka 2013. EBITDA yetu kwa mwaka uliopita ilikuwa asilimia kumi (10%) chini ya bajeti, lakini asilimia nne (4%) juu ya iliyopatikana katika kipindi kama hicho mwaka 2013. Hii ni kutokana na kuongezeka kwa uuzaji moja kwa moja kwa wateja wetu ambao umetupatia mafanikio ya juu pamoja na mipango ya kudhibiti gharama za kudumu. Kwa upande wa gharama, tumeweza kupunguza gharama za kazi kwa muda wa ziada ikilinganishwa na kipindi kama hicho mwaka 2013. Tumeweza kupunguza kwa kiasi kikubwa gharama za huduma za ziada kufuatia kujadili upya mikataba kadhaa na wagavi wetu na upungufu wa gharama ya nishati kufuatia kujadili upya mkataba wa usambazaji wa makaa ya mawe.

“EBITDA yetu kwa mwaka uliopita ilikuwa asilimia kumi (10%) chini ya bajeti, lakini asilimia nne (4%) juu iliyopatikana katika kipindi kama hicho mwaka 2013.”

Uendelevu

Usalama unabaki kuwa kipaumbele chetu na kwa mwaka 2014 hakukuwa na tofauti. Tulifanya kwa uangalifu mkubwa kumrudisha kila mfanyakazi nyumbani kwa usalama kila baada ya kazi. Wakati tukiweka kumbukumbu ya matokeo mazuri katika kudumisha jumla ya kiwango cha chini cha madhara (TRIFR) chini ya moja (1) dhidi ya lengo la sita nukta nne (6.4), kwa bahati mbaya tulikuwa na ajali kwenye tanuru iliyosababisha kifo mwishoni mwa mwezi Aprili 2014. Hili lilichunguzwa kwa kina na mafunzo mengi kutolewa kutokana na tukio hilo. Tumetekeleza mafunzo hayo ili kuepusha kutokea tena kwa matukio kama hayo hapo baadaye. Utendaji wetu kimazingira umebaki kama ulivyopangwa, hii ni pamoja na uzalishaji vumbi wa chini ya kikomo cha wastani ulioweka kisheria kwa kila mwezi kwa mwaka mzima. Hata hivyo utendaji na upatikanaji wa vifaa vya usimamizi ulikuwa ni tatizo, kwani hatukuweza kupata faida kamili ya vipimo vilivyotarajiwa. Uondoaji wa vifaa ni mkakati unaofikiwa. Kwa mara ya kwanza programu ya msingi ya usimamizi wa mazingira imetekezwa kiwandani, kwa sasa tunasubiri matokeo ya awali kutoka kwenye sampuli na vipimo.

Usimamizi wa thamani ya Mteja

Kwa kiasi kulikuwa na vikwazo ambavyo tuliweza kuvisimamia au kuvidhibiti, changamoto fulani zilikuwa nje ya uwezo wetu; hii ni pamoja na ukosefu wa sera imara katika taasisi za Serikali, na hivyo kusababisha ubadilishwaji wa mgao wa fedha kwenda miradi ambayo haikupangwa hapo awali. Hii iliathiri bajeti yetu ambapo miradi ya miundombinu iliwekwa kapuni. Nchi pia inaendelea kuwa na udhaifu wa kifedha na mfumo dhaifu wa fedha. Hii inaathiri zaidi miradi - kama vile ya maendeleo ya miundombinu ya barabara - ambayo inategemea ukusanyaji wa ushuru wa mafuta, ambao una kiwango cha juu cha ukwepaji. Kwa upande wa usafirishaji vifaa, bado tunaendelea kuteseka kutokana na umri, uwezo mdogo na utendaji mbaya wa reli. Kusafirisha baadhi ya bidhaa kunaathiriwa na kutokuwepo kwa miundombinu ya reli ya kuaminika na maalum kwa huduma ya sekta ya sementi. Gharama zilizojificha katika sekta ya nishati zinapelekea kuweko na mzigo wa gharama katika umeme wa dharura, pamoja na upatikanaji mdogo katika maeneo ya vijijini ikiwa ni pamoja na ubora duni wa huduma. Kukabiliana na athari za hili, Tanga Cement Plc inajitoa katika umiliki na udhibiti wa maghala ya ugavi na, badala yake inawaachia wagavi binafsi ambao wanaweza kuendesha kwa kutumia vifaa vyao vya gharama ya chini.

Pia tunajaribu kuchunguza njia ya usafiri nafuu ambao utakuwa ukipeleka mizigo na kurudi na mizigo, hasa wakati wa kipindi cha uvunaji mazao. Pia tunachunguza fursa ya kumiliki mabehewa ya reli kupitia Kampuni husika, wakati tukiendelea kushirikiana na Tanzania Rail Limited kushinikiza usafiri wa sementi kwa njia sahihi na ya ufanisi zaidi. Tunaendelea kuzishawishi taasisi nyingine za serikali ili ziboreshe huduma na kupunguza gharama za uendeshaji, kwa mfano makubaliano ya usambazaji wa nishati tuliyotiliana saina na shirika la usambazaji umeme. Katika mazingira ya utandawazi, miundombinu duni ya mawasiliano ya simu ni moja ya kikwazo katika kufanya biashara. Kwa Tanzania, upatikanaji wa GSM kwaajili ya biashara ni asilimia sitini na tano tu (65%) ikilinganishwa na nchi nyingine za Afrika Mashariki ambapo kuna upatikanaji wa wastani wa asilimia tisini (90%). Aidha, utegemezi wa fedha za kigeni limekuwa tatizo ambapo baadhi ya wafadhili wamesitisha utoaji wao msaada kutokana na matumizi mabaya ya fedha yanayofanywa na Serikali.

Ujenzi wa Tanuru ya pili

Ujenzi wa tanuru ya pili unaendelea vizuri na kwamba muelekeo ni kuzalisha klinka yake ya kwanza mwishoni mwa robo ya nne ya mwaka 2015. Mara baada ya kukamilika, tanuru hii ya pili itaongeza uwezo wa uzalishaji kwa zaidi ya mara mbili ya kiwango cha uzalishaji wa klinka kwa Tanga Cement Plc na matokeo yake kuokoa gharama muhimu za Kampuni.

Tunavyoangalia mwaka 2015

Tunatarajia mwaka ujao kubaki mgumu, lakini tunapaswa kuendelea na mwenendo chanya wa kifedha. Miradi mingi imepitishwa na Serikali na wawekezaji binafsi na hii inapaswa kuongeza mahitaji ya bidhaa zetu. Miongoni mwa miradi ya kusisimua ni maendeleo ya Kawe City, Tanzaniaite Mall na Tanzania China Logistic centre, Dar es Salaam na upanuzi wa bandari ya Dar es Salaam.



Reinhardt Swart

Mkurugenzi Mtendaji

Corporate Social Investment

A total of Tzs 372.5million was spent to support various community projects in the country. This is an increase of 12.28% from amount that was spent in 2013's CSI projects. The money was spent by constructing toilets for schools, classrooms, hospital ward, furnishing laboratory, refurbishment of libraries just to mention a few. A total of 19 projects were supported during the year as described below:

1. Friends of Serengeti

The company continued to support this NGO that deals with environmental conservation at the Serengeti and Tarangire national Parks. Thirty (30) tons of cement were donated for construction of crossing drifts, ranger posts as well as renovation of observation points at parks.

2. Tanga Regional Commissioner's Office

A total of Twenty five (25) tons of cement were donated to the Tanga Regional Commissioner's office for renovation and upkeep of the Tanga Technical School.

3. Korogwe, Pangani and Mkinga District Councils

In supporting construction of Secondary Schools' laboratories in the country, the Company donated Fifty (50) tons of cement for Korogwe district council, fifty (50) tons for Pangani district council and fifty (50) tons of cement for Mkinga district council. This brings a total of One hundred and Fifty (150) tons of cement.

4. Rosmini Secondary School

Rosmini Secondary School is among the best schools in the country. The school is adjacent to our operation in Tanga. Due to its good performance, numerous students wish to attend this school; hence, infrastructure is becoming a problem to the school. In order to increase admission of students, the school is undertaking expansion program which is an on-going project, and the company has been supporting this school by donating cement whenever they place a request. In 2014, the company donated Fifty (50) tons of cement.

5. Handeni District Hospital

The company is constructing a modern ward for this district hospital in Tanga region. This is in line with company's support that it provides to health sector in the country.

6. Kasera Primary School

This primary school, with more than four hundred pupils, had only one toilet for girls and one toilet for boys. During rainy seasons, the toilets were flooded by water which poured out of the toilets and spread across the school compound. The situation could cause health and environmental hazards. Due to this, the company decided to support this school by constructing six toilets, three (3) for boys and three (3) for girls. This action has reduced this problem to a greater extent. There is no longer a fear of waste water flooding the school compound during rainy season.



7. READ International

This is an NGO that deals with collection of books and partnering with corporates in refurbishment of libraries in the country. The company worked with READ international in refurbishing three libraries in three schools: Chalinze Secondary School in Coast region, Mingoyo Secondary School in Lindi and Kinyerezi Secondary School in Dar es Salaam.

8. Saruji Primary School

Saruji primary school is the closest primary school to our operation. Since its construction, the school has not been renovated. Floors, roofs, walls as well as toilets were all in a very bad condition. The situation was likely to cause environmental and health hazards to the pupils and the teachers, so the company decided to renovate to avoid the perils.

9. Kibong'oto Primary School

The school is in Hai district, Kilimanjaro region. The company supported this school by constructing and furnishing two classrooms as well as two toilets. In addition, seventy desks with chairs were donated.

10. Pongwe Secondary School

The company constructed the science laboratory for this secondary school which is also close to our operation. After completion, the company decided to furnish it to make sure it is used as intended.

11. Comfort Women Relief Foundation

This Tanga-based foundation runs a nursery and a primary school for orphans. Due to the increase in the number of children that attend this centre, there is a need to expand this nursery school. The company contributed cash to the centre for this purpose.

Apart from the above mentioned projects, Tanga Cement Plc also supported various other projects including: Tanga District Authority in various community activities, connection of electricity and water at Maweni prison's staff houses which were constructed by the company, donation of a tri-cycle to a disabled Pande resident; connection of electricity and water to the renovated staff houses for Tanga Regional Police Authority, contribution to Tanga Regional Road Safety Committee; and payment of school fees to the former Rosmini Secondary School student who is now undertaking her degree in education.

The company concentrated on the four major CSI focus areas of Community Development, Education, Environment and Health.



Uwekezaji wa Kijamii wa Kampuni

Jumla ya shilingi milioni Mia tatu sabini na mbili nukta tano (Tzs 372.5) za kitanzania zilitumika kusaidia miradi mbalimbali ya kijamii nchini. Hili ni ongezeko la asilimia kumi na mbili nukta mbili nane (12.8%) kutoka kiasi kilichotumika katika miradi mwaka 2013. Fedha hizi zilitumika kwa kujengea vyoo kwa ajili ya shule mbali mbali, madarasa, wadi ya hospitali, samani za maabara, ukarabati wa maktaba kwa kutaja tu machache. Jumla ya miradi kumi na tisa (19) ilisaidiwa katika kipindi hiki kama inavyoelezwa hapo chini:

1. Friends of Serengeti

Kampuni iliendelea kuisaidia asasi hii isiyo ya kiserikali (NGO) ambayo inajihusisha na uhifadhi wa mazingira katika Hifadhi za Taifa za Serengeti na Tarangire. Tani Thelathini (30) za sementi zilichangiwa kwa ajili ya ujenzi wa vivuko vya wanyama, vibanda vya walenzi na ukarabati wa pointi za uchunguzi katika Hifadhi.

2. Ofisi ya Mkuu wa Mkoa wa Tanga

Jumla ya tani ishirini na tano (25) za sementi zilitolewa kama mchango kwa ofisi ya Mkuu wa Mkoa wa Tanga ya kwa ajili ya ukarabati na marekebisha ya Shule ya Sekondari ya Ufundi ya Tanga (Tanga Technical School).

3. Wilaya za Korogwe, Mkinga na Pangani

Katika kusaidia ujenzi wa maabara za Shule za Sekondari nchini, Kampuni ilichangia tani hamsini (50) za sementi kwa ajili ya maabara za halmashauri ya wilaya ya Korogwe, tani hamsini (50) kwa halmashauri ya wilaya ya Pangani na tani hamsini (50) kwa ajili ya halmashauri ya wilaya ya Mkinga. Hii inaleta jumla ya tani mia moja na hamsini (150) za sementi.

4. Shule ya Sekondari Rosmini

Shule ya Sekondari Rosmini ni miongoni mwa shule bora nchini. Shule hii iko karibu sana na kiwanda chetu. Kutokana na utendaji wake mzuri, wanafunzi mbalimbali wanataka kusoma katika shule hii; hivyo, mjiundombinu inakuwa tatizo. Ili kuongeza uandikishaji wa wanafunzi, shule ina mpango wa upanuzi ambao ni mradi unaoendelea, na Kampuni inakuwa ikiisaidia hii shule kwa kutoa sementi wakati wowote inapoleta maombi. Katika mwaka 2014, kampuni ilichangia tani hamsini (50) za sementi.

5. Hospitali ya Wilaya ya Handeni

Kampuni inajenga wodi ya kisasa kwa ajili ya hospitali ya wilaya hii iliyoko mkoani Tanga. Hii ni sambamba na msaada ambao kampuni inatoa kwa sekta ya afya nchini.

6. Shule ya Msingi Kaseru

Shule hii ya msingi ina wanafunzi zaidi ya mia nne; na ilikuwa na choo kimoja tu kwa ajili ya wasichana na choo kimoja kwa ajili ya wavulana. Wakati wa majira ya mvua, vyoo vilikuwa vinafurika na maji yakawa

yanamwagika toka vyooni na kuenea katika eneo la shule. Hali hiyo ingeweza kusababisha madhara ya kiafya na ya kimazingira. Kutokana na hili, Kampuni iliamua kusaidia shule hii kwa kujenga vyoo sita, vitatu (3) kwa ajili ya wavulana na vitatu (3) kwa ajili ya wasichana. Hatua hii imepunguza tatizo hili kwa kiasi kikubwa. Hakuna tena wasiwasi wa mafuriko ya maji machafu katika eneo la shule kipindi cha mvua.

7. READ International

Hii ni asasi isiyo ya kiserikali (NGO) ambayo inahusika na kukusanya vitabu na kushirikiana na makampuni katika ukarabati wa maktaba nchini. Kampuni ilifanya kazi na READ international katika ukarabati maktaba tatu katika shule za: Chalinze Sekondari iliyopo mkoa wa Pwani, shule ya Sekondari Mingoyo iliyopo mkoa wa Lindi na Shule ya Sekondari Kinyerezi iliyopo katika jiji la Dar es Salaam.

8. Shule ya Msingi Saruji

Shule ya msingi Saruji ni shule ya msingi iliyopo karibu na kiwanda chetu. Tangu ilipojengwa, haikuwahi kufanyiiwa ukarabati. Sakafu, paa, kuta pamoja na vyoo vyote vilikuwa katika hali mbaya sana, hali mbaya ambayo ingeweza kusababisha hatari za kimazingira na kiafya kwa wanafunzi na waalimu, hivyo Kampuni iliamua kuikarabati ili kuepusha matatizo haya.

9. Shule ya Msingi Kibong'oto

Shule hii iko wilaya ya Hai, mkoani Kilimanjaro. Kampuni iliisaidia shule hii kwa kujenga madarasa pamoja na vyoo viwili. Aidha, ilichangia pia madawati na viti sabini.

10. Shule ya Sekondari Pongwe

Kampuni ilijenga maabara ya sayansi kwa shule ya sekondari ambayo pia ni karibu na kazi yetu. Baada ya kukamilika, Kampuni iliamua kuweka samani ni kuhakikisha matumizi halisi ya jengo.

11. Comfort Women Relief Foundation

Mfuko huu wa wanawake uliopo mkoani Tanga unaendesha shule ya awali na shule ya msingi kwa ajili ya watoto yatima. Kutokana na kuongezeka kwa idadi ya watoto wanaohitaji kuhudhuria katika kituo hiki, imeonekana kuna haja ya kupanua hiki kituo. Kampuni imechangia fedha kwa kituo kwa lengo hili la upanuzi.

Mbali na miradi iliyotajwa hapo juu, Tanga Cement Plc pia imesaidia miradi mingine mbalimbali ikiwa ni pamoja: Mamlaka ya Wilaya ya Tanga katika shughuli mbalimbali za jamii, uunganishaji wa umeme na maji katika nyumba za wafanyakazi wa gereza la Maweni ambazo zilijengwa na kampuni, mchango wa pikipiki ya miguu mitatu kwa mlemavu ambae ni mkazi wa Pande, uunganishaji wa umeme na maji kwenye nyumba za wafanyakazi wa Mamlaka ya polisi ya Mkoa wa Tanga Polisi ambazo zilikarabatiwa na Kampuni; mchango kwa kamati ya usalama barabani kwaajili ya wiki ya nenda kwa usalama ya Mkoa wa Tanga, na malipo ya ada ya shule kwa mwanafunzi wa zamani wa shule ya sekondari Rosmini ambaye kwa sasa anafanya shahada yake ya ualimu.

Corporate Social Responsibility (CSR) Mission & Policy Statement

Our actions today mould the future

CSR Mission

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

CSR Policy Statement

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

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

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

Health:

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

Education:

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

Community Development:


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

Environment:

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

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

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

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



Safety and Environment Usalama na Mazingira

Safety remains our priority and 2014 was no different. We undertook the utmost care to return each employee home safe at the end of each shift. Whilst we recorded good results on maintaining a low total recordable injury frequency rate (TRIFR) of below one (1) against a target of six point four (6.4), we unfortunately had a fatality at the kiln at the end of April 2014. This was thoroughly investigated and a lot of lessons were drawn from the incident. We have implemented these lessons to avoid similar incidents from recurring in the future.

- On the environmental aspects, a more positive note of performance was achieved. Some concerns were highlighted on the monitoring equipment that could not operate and was sent to South Africa for repairs. Our ISO 14001 certificate was retained after completion of surveillance audit. Challenge was still on the water consumption as it remained high for the last quarter of the year.
- Campaign for lockout and Tag out was a significant success; we had invited Koos Jacobs from South Africa to present a motivational speech on his experience after he suffered multiple disabling injuries.



Lock Out Tag Out Campaign

Usalama unabaki kuwa kipaumbele chetu na kwa mwaka 2014 hakukuwa na tofauti. Tulifanya uangalifu mkubwa katika kumrudisha kila mfanyakazi nyumbani kwa usalama kila baada ya kazi. Wakati tukiweka kumbukumbu ya matokeo mazuri katika kudumisha jumla ya kiwango cha chini cha madhara (TRIFR) chini ya moja (1) dhidi ya lengo la sita nukta nne (6.4), kwa bahati mbaya tulikuwa na ajali kwenye tanuru iliyosababisha kifo mwishoni mwa mwezi Aprili 2014. Hili lilichunguzwa kwa kina na mafunzo mengi kutolewa kutokana na tukio hilo. Tumetekeleza mafunzo hayo ili kuepusha kutokea tena kwa matukio kama hayo hapo baadaye.

- Kwa upande wa Mazingira, kulikua na utendaji mzuri zaidi. Baadhi ya matatizo yaligundulika kwa upande wa kifaa cha usimamizi wa mazingira ambacho bado hakifanyi kazi na kilipeleka Afrika ya Kusini kwa matengenezo. Ukaguzi wa mfumo wetu wa Mazingira ISO 14001 ulifanyika kwa mafanikio. Bado pia kuna changamoto ya matumizi ya maji kwani mwishoni mwa robo ya nne ya mwaka bado matumizi yalikuwa makubwa.
- Uhamasishaji wa mfumo wa lock out tag out ulifanyika kwa mafanikio, Mr. Koos Jacobs alialikwa kutoka Afrika ya Kusini kwa ajili ya kuhamasisha lock out tag out kwa kuelezea jinsi yeye alivyojeruhiwa na kupata ulemavu kutokana na kutofuata lock out tag out.



Occupational Health And Safety Policy


My Safety Is Our Safety

Policy

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

Objectives

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

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



“ Bidhaa za Simba sementi ni zenye ubora wa hali juu ambazo zimetumika katika ujenzi wa miundombinu mbalimbali katika nchi za Afrika Mashiriki kwa muda sasa ”

Quality | Ubora

SIMBA CEMENT PRODUCTS

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

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

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

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

Products

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

We manufacture two types of cements which are uniquely developed for different applications;

SIMBA BORA [CEM II/B-L 42,5N]

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

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

SIMBA IMARA (CEM IV/B 32, 5 R)

CEM IV/B 32,5 R is Portland composite cement with Pozzolana additive. It is an ordinary strength and an all purpose class cement and can be used in constructions such as:

- Structural and non-structural cast, foundations, columns, beams, walls, girdles, paving slabs, kerbs, interlocking pavement slabs, bricks, etc.
- Elements made of normal and reinforced concrete in environments with low and moderate aggressiveness
- Elements made of reinforced concrete, in environments with low carbon aggressiveness and sulphate activity
- Mortars for filling the joints between precast elements
- Mortars for special flooring, etc.

BIDHAHA ZA CHAPA YA SIMBA SEMENTI

Bidhaa za Simba sementi ni zenye ubora wa hali juu ambazo zimetumika katika ujenzi wa miundombinu mbalimbali katika nchi za Afrika Mashiriki kwa muda sasa.

Bidhaa zetu za sementi zimetumika katika ujenzi wa nyumba, shule, barabara, madaraja, mabwawa na vitu vingine muhimu katika jamii yetu.

Bidhaa za Simba sementi zinazalishwa kwa kutumia mfumo ulioundwa kwa umakini na kudhibitiwa na wataalamu.

Utendaji wa bidhaa zetu za sementi unafatiliwa kwa umakini kwaajili ya kudumisha ubora wa hali ya juu, nguvu na uthabiti wa bidhaa zetu.

Haya yote yanawezekana kwa ufatiliaji wa mara kwa mara na kuboresha mfumo wa uzalishaji ili kuhakikisha ufanisi uliobora, wenye athari ya chini kabisa kwenye ubora wa bidhaa na mazingira.

Bidhaa

Bidhaa za Simba sementi zinazalishwa kwa kuzingatia ubora wa sementi wa Tanzania yani TZS 721-1:2002 ambao ni sawa na ubora wa sementi wa Ulaya EN 197-1:2000 na ubora sementi wa Afrika Mashariki EAS 18-1:2001.

Tunazalisha aina mbili za bidhaa za sementi ambazo zimetengenezwa kipekee kwa matumizi tofauti;

SIMBA BORA [CEM II/B-L 42,5N]

CEM II/B-L 42,5N ni aina ya sementi ya nchi kavu yenye chokaa ya nyongeza, ni sementi yenye nguvu ya hali ya juu na inaweza kutumika katika ujenzi wa vitu mbalimbali kama;

- Muundo, mfumo sawa na usio sawa wa jengo.
- Zege la Kushinikiza kwa ajili ya misingi, nguzo, mihimili, ukanda, ubamba, kuta za kushikilia misingi, n.k.
- Elementi zilizoundwa kwa kawaida na uimarishaji halisi, zinazotumika katika matengenezo ya kazi za viwanda, kuhifadhi nyaraka, nk.
- Sakafu maalumu yenye ufito na mota.

SIMBA IMARA (CEM IV/B 32, 5 R)

CEM IV/B 32, 5 R ni aina ya sementi iliyo na nyongeza ya pozolana.

- Ni sementi yenye nguvu ya kawaida itumikayo kwa lengo maalumu na inaweza kutumika kwenye ujenzi kama vile;
- Miundo na miundo isiyo ya kutupwa, misingi, nguzo, mihimili, kuta, mishipi, ukingo wa barabara, ubamba wa jiwe, vipande vya mawe vilivyofungamana, matofali etc.
- Elementi zinazoundwa na uimarishaji halisi, kwenye mazingira yenye uchochezi wa wastani na chini.
- Mota kwa ajili ya kujazaia viungo vya kati ya elementi
- Mchanganyiko maalum kwa ajili ya usakafishaji maalumu.

Quality Policy

Striving for Excellence


Policy

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

Objectives

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

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

| | | | |
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| Issued by |  | Revision Number | 05 |
| | Board Chairman Lau Masha | Date | October 2014 |



Value Added Statement

Waraka wa Ongezeko la Thamani

for the year ended 31 December 2014

| | 2014 | | 2013 | |
|------------------------------------|-------------------|------------|-------------------|------------|
| | Tzs '000' | % | Tzs '000' | % |
| Value Added | | | | |
| Gross Turnover | 194,992,804 | | 182,784,033 | |
| Other Income | 434,322 | | 88,327 | |
| Other operating expenditure | (122,958,031) | | (112,228,700) | |
| | 72,469,095 | 100 | 70,643,660 | 100 |
| Revenue | | | | |
| To Employees | 18,594,052 | 25.7 | 18,807,941 | 26.6 |
| To Government-Corporate Income Tax | 14,990,373 | 20.7 | 13,588,984 | 19.2 |
| To Shareholders-Dividend | 7,311,170 | 10.1 | 6,685,459 | 9.5 |
| To Lending Institutions | 68,217 | 0.09 | 12,207 | 0.0 |
| To Expansion and Growth | | | | |
| -Depreciation | 4,944,357 | 6.8 | 5,778,295 | 8.2 |
| -Asset Impaired | 6,872,398 | | | |
| -Retained Income | 19,688,528 | 27.2 | 25,770,775 | 36.5 |
| | 72,469,095 | 91 | 70,643,660 | 100 |

Kwa mwaka ulioisha tarehe 31 Desemba 2014

| | 2014 | | 2013 | |
|------------------------------------------|-------------------|------------|-------------------|------------|
| | Tzs '000' | % | Tzs '000' | % |
| Thamani iliyoongezwa | | | | |
| Pato Ghafi | 194,992,804 | | 182,784,033 | |
| Mapato Mengineyo | 434,322 | | 88,327 | |
| Matumizi mengine ya uendeshaji | (122,958,031) | | (112,228,700) | |
| | 72,469,095 | 100 | 70,643,660 | 100 |
| Mapato | | | | |
| Kwa Wafanyakazi | 18,594,052 | 25.7 | 18,807,941 | 26.6 |
| Kwa Serikali - Kodi ya mapato ya Kampuni | 14,990,373 | 20.7 | 13,588,984 | 19.2 |
| Gawio kwa Wanahisa | 7,311,170 | 10.1 | 6,685,459 | 9.5 |
| Kwenda taasisi za ukopeshaji | 68,217 | 0.09 | 12,207 | 0.0 |
| Kwa Taasisi za Ukopeshaji | | | | |
| - Uchakavu | 4,944,357 | 6.8 | 5,778,295 | 8.2 |
| - Mali iliyoshuka thamani | 6,872,398 | | | |
| - Mapato yaliyobakizwa | 19,688,528 | 27.2 | 25,770,775 | 36.5 |
| | 72,469,095 | 91 | 70,643,660 | 100 |

General Information



**SIMBA
CEMENT**
STRENGTH WITHIN

**REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS**

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

COMPANY SECRETARY

Mr David Lee
Tanga Cement Public Limited Company
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

BANKERS AND FINANCIAL INSTITUTIONS

NBC Tanzania Limited
P O Box 5031
Tanga

Citibank Tanzania Limited
P O Box 71625
Dar es Salaam

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

Stanbic Bank Tanzania Limited
P O Box 72647
Dar es Salaam

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

Board of Directors

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

2 R Swart - Managing Director
Mkurugenzi Mtendaji

3 D Lee - Company Secretary
Katibu wa Kampuni



Bodi ya Wakurugenzi

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

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

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

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

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

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



Report of the Directors

The Directors present their report and the audited consolidated financial statements for the financial year ended 31 December 2014 which disclose the state of affairs of Tanga Cement Public Limited Company (the Company) and its subsidiary, Cement Distributors (EA) Limited (together, the Group).

1. INCORPORATION

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

2. GROUP'S VISION

To be Eastern Africa's favourite cement manufacturer and distributor.

3. GROUP'S MISSION

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

4. PRINCIPAL ACTIVITIES

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

5. COMPOSITION OF THE BOARD OF DIRECTORS

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

| Name | Position | Age | Nationality |
|-----------------|-------------------|-----|---------------|
| Mr L Masha | Chairperson | 44 | Tanzanian |
| Mr R Swart | Managing Director | 41 | South African |
| Dr S Olivier | Director | 56 | South African |
| Mr C Kariwa | Director | 54 | Tanzanian |
| Mr K Omar | Director | 49 | Tanzanian |
| Mr L Serfontein | Director | 40 | South African |
| Mr T Wagner | Director | 67 | South African |
| Ms M Mfugale | Director | 40 | Tanzanian |

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

The Company Secretary during the year ended 31 December 2014 was Mr D Lee British, 58 years.

The Board of Directors met four times during the year.

6. CORPORATE GOVERNANCE

Code of Corporate Practice and Conduct

Tanga Cement Public Limited Company 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 Public Limited Company consists of eight Directors. Apart from the Managing Director, no other Directors hold executive positions in the Group. The Board takes overall responsibility for the Group, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management against budgets and business plans. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative and for compliance with sound corporate governance principles.

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

“ ... 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 is confident that its members have the knowledge, talent and experience to lead the Group. The non-Executive Directors are independent of management and exercise their independent judgement. With their depth of experience, they add value to Board deliberations.

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

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

Performance evaluation and reward

Details of the remuneration of Directors are disclosed in Note 9 to the consolidated financial statements. The Group utilises the results of market surveys to ensure market-related salaries are paid and that market-related trends are followed in terms of changes in benefits, while at the same time taking into account the intrinsic value of individual contributions. A portion of the remuneration of all managerial staff, especially senior management, is linked to the performance of their respective business units and of the Group as a whole..

Risk management and internal control

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

- The safeguarding of the Group's assets (including information)
- Compliance with the applicable laws, regulations and supervisory requirements
- The reliability of the accounting records
- Business sustainability under normal as well as adverse conditions
- Responsible behaviour towards all stakeholders

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

The Board assessed the internal control systems throughout the financial year ended 31 December 2014 and is of the opinion that they were at an acceptable level.

Ethical behaviour

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

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

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

Business ethics and organisational integrity

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

Principal risks and uncertainties

The principal risks that may significantly affect the Group's strategies and development are mainly operational, fraud and financial risks. Below we provide a description of the operational, fraud and financial risks facing the Group:

Fraud risk

The Group could incur losses resulting from fraudulent transactions, but controls 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.

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 34 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 judgements and estimates, were used consistently
- The consolidated financial statements were compiled in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002

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

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

The Group is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability. During the year, the Board of Tanga Cement Company Limited had the following sub-committees to ensure a high standard of corporate governance throughout the Group.

Audit, Risk and Compliance Committee

| Name | Nationality | Qualification |
|---------------------------|---------------|-------------------------|
| 1. Mr T Wagner (Chairman) | South African | CA(SA), MBL(Unisa) |
| 2. Mr K Omar | Tanzanian | Msc Development studies |
| 3. Mr L Serfontein | South African | Bcom(ACC), CA (SA) |
| 4. Mr L Masha | Tanzanian | LLB(Hons),LLM |

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

Remuneration and Nomination Committee

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

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

7. REMUNERATION POLICIES

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

8. CAPITAL STRUCTURE

The Group capital structure for the year under review is shown below:

Authorised

63,671,045 Ordinary shares of Tzs 20 each (2013: 63,671,045 Ordinary shares of Tzs 20 each)

Issued up and fully paid

63,671,045 Ordinary shares of Tzs 20 each (2013: 63,671,045 Ordinary shares of Tzs 20 each).

9. MANAGEMENT

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

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

10. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Group during the year ended 31 December 2014 were:

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

11. DIRECTORS' REMUNERATION

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

| | Amount in Tzs |
|------------------------------------|---------------|
| Chairman of the Board of Directors | 24,260,400 |
| Other Directors | 101,745,000 |

Executive Directors' remuneration for the company was TZS 961 million (2013: TZS 939 million) and TZS 961 million (2013: TZS 948 million) for the group.

12. SHAREHOLDERS OF THE COMPANY

The top ten shareholders at 31 December were:

| | 2013 | 2012 |
|-------------------------------------------------------------------------------------|-------|-------|
| AfriSam (Mauritius) Investment Holdings Limited | 66.6% | 62.5% |
| SCBT Nominees SCB Consumer Banking Re Mr Aunali F Rajabali and Mr Sajjad F Rajabali | 5.0% | - |
| Public Service Pension Fund | 2.4% | 7.2% |
| National Social Security Fund | 1.8% | 6.5% |
| Social Action Trust Fund | 1.8% | 1.8% |
| Parastatal Pension Fund | 1.3% | 1.3% |
| The Registered Trustees of Tanga Cement Plc Employees' Scheme | 0.8% | 0.8% |
| Government Employees Provident Fund | 0.4% | 0.4% |
| The Local Authorities Pensions Fund | 0.4% | 0.4% |
| BP Tanzania Provident Trust Limited | 0.3% | 0.3% |

Member summary as at 31 December:

| | 2014 Number of Members | 2014 Number of Shares | 2013 Number of Members | 2013 Number of Shares |
|----------------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| 1-1,000 | 9,270 | 3,089,705 | 9,310 | 3,108,110 |
| 1,001 - 5,000 | 1,304 | 3,612,661 | 1,315 | 3,664,285 |
| 5,001-10,000 | 369 | 2,267,306 | 371 | 2,261,653 |
| 10,000 plus | 129 | 12,296,970 | 124 | 14,842,594 |
| AfriSam (Mauritius) Investment Limited | 1 | 42,404,403 | 1 | 39,794,403 |
| Total | 11,073 | 63,671,045 | 11,121 | 63,671,045 |

No Director held any ordinary shares in the Company.

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 2014, the performance of the Group's shares in the secondary market was as follows: Market capitalisation as at 31 December 2014 was TZS 286,520 million (2013: TZS 128,620 million). Total turnover of the Group's shares at the DSE was TZS 30.46 billion (2013: TZS 1.26 billion). The average price of Group shares was TZS 3,393 per share (2013: TZS 2,020) and the prevailing share price as at 31 December 2014 was TZS 4,500 per share (IPO price TZS 360 per share).

14. PERFORMANCE FOR THE YEAR

Group revenue declined by 0.4% due to increased competition from new entrants and increased pressure on prices. Production volumes for the year increased by 4%, while fixed costs of production and distribution remaining relatively unchanged despite an annual inflation of 4.8% due to initiatives taken on cost control measures. Increased electricity tariff of 40% resulted in a reduction of 2% in gross profit. The kiln functioned efficiently throughout the year mainly stopped for planned maintenance.

The detailed financial performance of the Group during the year is set out on page 37 of these consolidated financial statements.

Key Performance Indicators

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

Financial results

In the course of its operations, the Group made a total comprehensive income of TZS 28.4 billion. (2013: TZS 32.2 billion). The Group's profit decreased by TZS 3.8 billion. The decrease was mainly as a result of an impairment of the goodwill on the investment in Cement Distributors (EA) Ltd following reduced operations due to structural changes in the distribution model introduced by management. The write-off amounted to TZS 6.9 billion.

Financial Position

The financial position of the Group is as set out in the statement of financial position shown on page 39. During the year total assets grew by 51.6% from TZS 209 billion to TZS 317 billion. Major contribution to this increase is ongoing kiln 2 project and the financial asset resulting from the interest rate cap contract which the group entered with Standard Chartered Bank to mitigate the volatility of the interest rate on the borrowing. (a detailed explanation is set out on page 49 and 50, and note 29 of the financial statements).

During the year the group was advanced a long term loan amounting to TZS 48.9 billion from the Government Employees Pension Fund (GEPP) for the kiln 2 project. A detailed explanation is set out in Note 30 of the financial statements.

15. RESULTS AND DIVIDEND

The Group's net profit for the year of TZS 28,401 million (2013: TZS 32,165 million) has been added to retained earnings. During the year the directors declared an interim dividend totalling TZS 3,491 million (2013: TZS 3,184 million) being TZS 55 per share (2013: TZS 50 per share). The board of directors approved a final dividend totalling of TZS 4,139 million (2013: TZS 3,820 million) being TZS 65 per share (2013: TZS 60 per share). Total interim and final dividend during the year would amount to TZS 7,630 million (TZS 120 per share) being an increase of 9% compared to the total dividend of TZS 7,004 million (TZS 110 per share) declared and approved during 2013.

16. FUTURE DEVELOPMENT PLANS

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

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

Work commenced in the last quarter of 2013, with commissioning due in the second half of 2015.

17. RESOURCES

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

18. CASH FLOW PROJECTION

The Group's cash projections indicate that future cash flows will be generated from its operational activities and by loans totalling USD 142m for the construction of the new kiln. The future cash flow projections of the Group will be significantly affected by the timing of capital expenditure commitments, which for the year 2015 are expected to be TZS 182 billion, including TZS 178 billion for the new kiln project.

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 Public Limited Company 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 45 to 56, are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

21. ACQUISITIONS AND DISPOSALS

No acquisitions were made during the year (2013: 40% of the remaining share capital on Cement Distributors (EA) Ltd was acquired. There were no material disposals of business during the year 2014 (2013: Nil).

22. INVESTMENTS

Tanga Cement Public Limited Company owns 100% of the share capital of Cement Distributors (EA) Limited and 20% of the share capital of East African Rail Hauliers Limited. Detailed information regarding the Company's interests in its subsidiary and associate is given in Note 18 to the consolidated financial statements.

23. IMPAIRMENT

The Board of Directors decided to impair the financial investment in Cement Distributors (EA) Ltd following the negative trend of its performance due to structural changes in the distribution model introduced by management. The write off amounted to TZS 6.9 billion.

24. EMPLOYEES' WELFARE

Management and Employees' Relationship

A healthy relationship continues to exist between management and the trade union. A new voluntary agreement was signed during the year under review following the expiration of the previous one in 2013. There were no major unresolved complaints received by management from the employees during the year.

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

Training Facilities

During the year, the Group spent a sum of TZS 408 million for staff training in order to improve employees technical skills and effectiveness (2013: TZS 240 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.

Employees' Share Trust

No additional loan has been given to Tanga Cement Employee Share Trust during the year 2014

25. 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 287 (2013: 285) employees, of which 28 were female and 259 were male (2013: 30 female and 255 male). The Group has 345 (2013: 358) employees, of which 36 were female and 309 were male (2013: 46 female and 312 male).

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 Public Limited Company continued to support Tanzanian society through its Corporate Social Investment programs. The areas that have been supported are community development, education, health and the environment. During the year the Group contributed TZS 372 million (2013: TZS 388 million) towards various corporate social investment initiatives.

30. SECRETARY TO THE BOARD

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

31. COMPLIANCE TO LAWS AND REGULATIONS

During the year ended 31 December 2014 there were no serious prejudicial matters to report as required by Tanzania Financial Reporting Standard No. 1 (Directors' Report).

32. STATEMENT OF COMPLIANCE

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

33. RELATED PARTY TRANSACTIONS

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

34. SERIOUS PREJUDICIAL MATTERS

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

35. AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office as auditors and are eligible for re-appointment. A resolution proposing the re-appointment of EY as auditors of the Group for the year 2015 will be tabled at the Annual General Meeting.

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



L Masha
Chairperson
6 March 2015



R Swart
Managing Director
6 March 2015

Statement of Directors' Responsibilities

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

For each financial period, the Tanzanian Companies Act, 2002, requires Directors to prepare consolidated financial statements that give a true and fair view of the state of affairs of the Group as at the end of the financial year and of its profit or loss for that period. It also requires the Directors to ensure that the Group keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. The Directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Tanzanian Companies Act, 2002. The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Group and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of consolidated financial statements, as well as adequate systems of internal financial control.

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



L Masha
Chairperson
6 March 2015



R Swart
Managing Director
6 March 2015

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

Independent Auditor's Report

We have audited the accompanying consolidated financial statements of Tanga Cement Public Limited Company (the Company) and its subsidiary, Cement Distributors (EA) Limited (together, the Group), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 37 to 80.

Directors' responsibilities for the consolidated financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, of the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and 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: 6 March 2015



AS STRONG AS
YOUR PURPOSE

The strength of your purpose enables you to make a difference in the lives of people you care for. It's the same strength you find Simba Cement. Used in building the path- breaking **St Joseph hospital in Moshi**

Consolidated Statement Of Comprehensive Income

for the year ended 31 December 2014

| | Notes | Group | | Company | |
|------------------------------------------------|-------|-------------------|-------------------|-------------------|-------------------|
| | | 2014 TZS' 000' | 2013 TZS' 000' | 2014 TZS' 000' | 2013 TZS' 000' |
| Revenue | 5 | 232,100,723 | 233,060,598 | 194,992,804 | 182,784,033 |
| Cost of sales | | (161,508,088) | (161,388,119) | (132,109,832) | (120,063,342) |
| Gross profit | | 70,592,635 | 71,672,479 | 62,882,972 | 62,720,691 |
| Other income | 6 | 564,863 | 67,834 | 427,531 | 1,854,306 |
| Selling expenses | 7 | (3,401,707) | (2,200,158) | (3,401,707) | (2,200,158) |
| Administration expenses | 8 | (15,985,706) | (16,129,269) | (10,020,118) | (9,862,944) |
| Depreciation and amortisation | 9 | (5,145,903) | (6,052,769) | (4,944,357) | (5,778,295) |
| Asset Impaired | 18 | (6,872,398) | - | (6,872,398) | - |
| Operating profit | | 39,751,784 | 47,358,117 | 38,071,923 | 46,733,600 |
| Finance costs | 10 | (138,344) | (71,195) | (68,217) | (12,207) |
| Finance income | 11 | 268,249 | 382,378 | 268,249 | 382,378 |
| Foreign exchange gain/(losses) | 12 | 3,645,801 | (1,345,531) | 3,718,116 | (1,058,553) |
| Profit before tax | | 43,527,490 | 46,323,769 | 41,990,071 | 46,045,218 |
| Income tax expense | 13 | (15,126,197) | (14,158,879) | (14,990,373) | (13,588,984) |
| Profit for the year | | 28,401,293 | 32,164,890 | 26,999,698 | 32,456,234 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the year | | 28,401,293 | 32,164,890 | 26,999,698 | 32,456,234 |
| Profit for the period attributable to: | | | | | |
| Owners of the parent | | 28,401,293 | 31,933,146 | 26,999,698 | 32,456,234 |
| Non-controlling interests | | - | 231,744 | - | - |
| | | 28,401,293 | 32,164,890 | 26,999,698 | 32,456,234 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 28,401,293 | 31,933,146 | 26,999,698 | 32,456,234 |
| Non-controlling interests | | - | 231,744 | - | - |
| | | 28,401,293 | 32,164,890 | 26,999,698 | 32,456,234 |
| Basic earnings per share (Tzs) | 14(a) | 446 | 505 | 424 | 510 |
| Diluted earnings per share (Tzs) | 14(b) | 446 | 505 | 424 | 510 |

Waraka wa Mapato unaotambulika

kwa mwaka ulioishia tarehe 31 Desemba 2014

| Maelezo | | Kundi | | Kampuni | |
|-------------------------------------------------|-------|-------------------|-------------------|-------------------|-------------------|
| | | 2014 TZS' 000' | 2013 TZS' 000' | 2014 TZS' 000' | 2013 TZS' 000' |
| Mapato | 5 | 232,100,723 | 233,060,598 | 194,992,804 | 182,784,033 |
| Gharama za mauzo | | (161,508,088) | (161,388,119) | (132,109,832) | (120,063,342) |
| Faida Ghafi | | 70,592,635 | 71,672,479 | 62,882,972 | 62,720,691 |
| Gharama nyingine za uendeshaji | 6 | 564,863 | 67,834 | 427,531 | 1,854,306 |
| Gharama za uzaji | 7 | (3,401,707) | (2,200,158) | (3,401,707) | (2,200,158) |
| Gharama za utawala | 8 | (15,985,706) | (16,129,269) | (10,020,118) | (9,862,944) |
| Uchakavu | 9 | (5,145,903) | (6,052,769) | (4,944,357) | (5,778,295) |
| Mali zilizoharibika | 18 | (6,872,398) | - | (6,872,398) | - |
| Faida ya Uendeshaji | | 39,751,784 | 47,358,117 | 38,071,923 | 46,733,600 |
| Gharama za Fedha | 10 | (138,344) | (71,195) | (68,217) | (12,207) |
| Mapato ya Fedha | 11 | 268,249 | 382,378 | 268,249 | 382,378 |
| Hasara/ Faida iliyotokana na ubadilishaji fedha | 12 | 3,645,801 | (1,345,531) | 3,718,116 | (1,058,553) |
| Faida kabla ya Kodi | | 43,527,490 | 46,323,769 | 41,990,071 | 46,045,218 |
| Kodi ya Mapato | 13 | (15,126,197) | (14,158,879) | (14,990,373) | (13,588,984) |
| Faida kwa Mwaka | | 28,401,293 | 32,164,890 | 26,999,698 | 32,456,234 |
| Pato kuu jingine | | - | - | - | - |
| Jumla ya pato kuu kwa mwaka | | 28,401,293 | 32,164,890 | 26,999,698 | 32,456,234 |
| Faida kwa kipindi kilichoidhinishwa kwa: | | | | | |
| Wamiliki wa Kampuni mama | | 28,401,293 | 31,933,146 | 26,999,698 | 32,456,234 |
| Wamiliki wasio na udhibiti | | - | 231,744 | - | - |
| | | 28,401,293 | 32,164,890 | 26,999,698 | 32,456,234 |
| jumla ya Mapato yaliyoidhinishwa kwa: | | | | | |
| Wamiliki wa Kampuni mama | | 28,401,293 | 31,933,146 | 26,999,698 | 32,456,234 |
| Wamiliki wasio na udhibiti | | - | 231,744 | - | - |
| | | 28,401,293 | 32,164,890 | 26,999,698 | 32,456,234 |
| Mapato ya msingi kwa hisa (Tzs) | 14(a) | 446 | 505 | 424 | 510 |
| Mapato yaliyopunguzwa kwa hisa (Tzs) | 14(b) | 446 | 505 | 424 | 510 |

Consolidated Statement Of Financial Position

As at 31 December 2014

| | Notes | Group | | Company | |
|----------------------------------------------------|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2014 TZS' 000' | 2013 TZS' 000' | 2014 TZS' 000' | 2013 TZS' 000' |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 15 | 233,160,607 | 137,902,268 | 228,110,535 | 132,736,446 |
| Intangible assets | 16 | 571,987 | 7,444,384 | - | - |
| Due from Employees' Share Trust | 17 | - | 506,787 | - | 506,787 |
| Investment in Subsidiaries | 18 | - | - | 4,724,414 | 11,596,812 |
| Investment in Associates | 18 | 400,000 | - | 400,000 | - |
| Financial Asset | 29 | 7,867,067 | - | 7,867,067 | - |
| | | 241,999,661 | 145,853,439 | 241,102,016 | 144,840,045 |
| Current assets | | | | | |
| Inventories | 19 | 36,176,598 | 22,093,147 | 35,514,358 | 20,257,181 |
| Trade and other receivables | 20 | 17,956,808 | 4,895,344 | 23,657,657 | 9,414,579 |
| Tax recoverable | 25 | 525,566 | 4,780,650 | - | 1,749,304 |
| Cash and cash equivalents | 21 | 20,059,861 | 31,612,679 | 19,174,756 | 30,531,552 |
| | | 74,718,833 | 63,381,820 | 78,346,771 | 61,952,616 |
| TOTAL ASSETS | | 316,718,494 | 209,235,259 | 319,448,787 | 206,792,661 |
| EQUITY AND LIABILITIES | | | | | |
| Capital and reserves | | | | | |
| Issued capital | 22 | 1,273,421 | 1,273,421 | 1,273,421 | 1,273,421 |
| Retained earnings | | 189,521,679 | 168,431,556 | 189,426,280 | 169,737,752 |
| Equity attributable to owners of the parent | | 190,795,100 | 169,704,977 | 190,699,701 | 171,011,173 |
| Total equity | | 190,795,100 | 169,704,977 | 190,699,701 | 171,011,173 |
| Non-current liabilities | | | | | |
| Provision for Quarry Site Restoration | 23 | 101,577 | 73,449 | 101,577 | 73,449 |
| Deferred tax liability | 13 | 20,829,852 | 20,226,783 | 20,829,852 | 20,226,783 |
| Interest bearing loans | 30 | 48,860,564 | - | 48,860,564 | - |
| | | 69,791,993 | 20,300,232 | 69,791,993 | 20,300,232 |
| Current liabilities | | | | | |
| Bank overdraft | 30 | 9,259,865 | 60,598 | 9,259,865 | - |
| Trade and other payables | 24 | 45,439,929 | 19,169,452 | 48,159,099 | 15,481,256 |
| Income tax payable | 25 | 1,431,607 | - | 1,538,129 | - |
| | | 56,131,401 | 19,230,050 | 58,957,093 | 15,481,256 |
| Total liabilities | | 125,923,394 | 39,530,282 | 128,749,086 | 35,781,488 |
| TOTAL EQUITY AND LIABILITIES | | 316,718,494 | 209,235,259 | 319,448,787 | 206,792,661 |

These consolidated financial statements were approved by the Board of Directors for issue on 06 March 2015 and were signed on their behalf by:

Lawrence Masha
Chairman



Reinhardt Swart
Managing Director



STRENGTH WITHIN

ANNUAL REPORT 2014

Waraka wa Hali ya Kifedha

Kama ilivyokuwa tarehe 31 Desemba 2014

| Maelezo | Kundi | | Kampuni | | |
|-----------------------------------------------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| | 2014 TZS' 000' | 2013 TZS' 000' | 2014 TZS' 000' | 2013 TZS' 000' | |
| RASILIMALI | | | | | |
| Rasilimali kudumu | | | | | |
| Mali, mitambo na vifaa | 15 | 233,160,607 | 137,902,268 | 228,110,535 | 132,736,446 |
| Rasilimali zisiozoonekana | 16 | 571,987 | 7,444,384 | - | - |
| Stahili kutoka mfuko wa hisa wa wafanyakazi | 17 | - | 506,787 | - | 506,787 |
| Uwekezaji tanzu | 18 | - | - | 4,724,414 | 11,596,812 |
| Uwekezaji kwa washirika | 18 | 400,000 | - | 400,000 | - |
| Uwekezaji | 29 | 7,867,067 | - | 7,867,067 | - |
| | | 241,999,661 | 145,853,439 | 241,102,016 | 144,840,045 |
| Rasilimali za Muda | | | | | |
| Bidhaa | 19 | 36,176,598 | 22,093,147 | 35,514,358 | 20,257,181 |
| Wadaiwa wa kibiashara na wengine | 20 | 17,956,808 | 4,895,344 | 23,657,657 | 9,414,579 |
| Kodi inayorejeshika | 25 | 525,566 | 4,780,650 | - | 1,749,304 |
| Fedha na zinazofanana na fedha | 21 | 20,059,861 | 31,612,679 | 19,174,756 | 30,531,552 |
| | | 74,718,833 | 63,381,820 | 78,346,771 | 61,952,616 |
| | | 316,718,494 | 209,235,259 | 319,448,787 | 206,792,661 |
| JUMLA YA RASILIMALI | | | | | |
| HISA NA DHIMA | | | | | |
| Mtaji wa Akiba | | | | | |
| Mtaji wa hisa ulitolewa | 22 | 1,273,421 | 1,273,421 | 1,273,421 | 1,273,421 |
| Mapato yaliyobakishwa | | 189,521,679 | 168,431,556 | 189,426,280 | 169,737,752 |
| | | 190,795,100 | 169,704,977 | 190,699,701 | 171,011,173 |
| Hisa zilizoidhinishwa kwa wamiliki wa Kampuni mama | | | | | |
| Jumla | | 190,795,100 | 169,704,977 | 190,699,701 | 171,011,173 |
| Dhima za kudumu | | | | | |
| Tengo la utunzaji eneo | 23 | 101,577 | 73,449 | 101,577 | 73,449 |
| Dhima ya kodi iliyochelewa | 13 | 20,829,852 | 20,226,783 | 20,829,852 | 20,226,783 |
| Mikopo yenye riba | 30 | 48,860,564 | - | 48,860,564 | - |
| | | 69,791,993 | 20,300,232 | 69,791,993 | 20,300,232 |
| Dhima za muda | | | | | |
| Mikopo yenye riba | 30 | 9,259,865 | 60,598 | 9,259,865 | - |
| Madeni ya kibiashara na mengineyo | 24 | 45,439,929 | 19,169,452 | 48,159,099 | 15,481,256 |
| Madeni ya kodi ya mapato | 25 | 1,431,607 | - | 1,538,129 | - |
| | | 56,131,401 | 19,230,050 | 58,957,093 | 15,481,256 |
| | | 125,923,394 | 39,530,282 | 128,749,086 | 35,781,488 |
| | | 316,718,494 | 209,235,259 | 319,448,787 | 206,792,661 |
| JUMLA YA HISA NA DHIMA | | | | | |

Taarifa hizi kamili za fedha zilizidhinishwa na Bodi ya Wakurugenzi tarehe 06 Machi 2015 na zilitiwa saina kwa niaba yao na:

Lawrence Masha
Chairman



Reinhardt Swart
Managing Director



STRENGTH WITHIN

TAARIFA YA MWAKA **2014**

Consolidated Statement Of Changes in Equity

for the year ended 31 December 2014

| | Notes | Issued Capital TZS' 000' | Retained Earnings TZS' 000' | Non-Controlling Interest TZS' 000' | Total TZS' 000' |
|-----------------------------------------------------|-------|--------------------------------|-----------------------------------|------------------------------------------|--------------------|
| COMPANY | | | | | |
| At 1 January 2013 | | 1,273,421 | 143,959,986 | - | 145,233,407 |
| Profit for the year 2013 | | - | 32,456,234 | - | 32,456,234 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | 1,273,421 | 176,416,220 | - | 177,689,641 |
| Dividends | 27 | - | (6,678,468) | - | (6,678,468) |
| At 31 December 2013 | | 1,273,421 | 169,737,752 | - | 171,011,173 |
| Profit for the year 2014 | | - | 26,999,698 | - | 26,999,698 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | 1,273,421 | 196,737,450 | - | 198,010,871 |
| Dividends | 27 | - | (7,311,170) | - | (7,311,170) |
| At 31 December 2014 | | 1,273,421 | 189,426,280 | - | 190,699,701 |
| GROUP | | | | | |
| At 1 January 2013 | | 1,273,421 | 143,176,878 | 2,473,971 | 146,924,270 |
| Profit for the year 2013 | | - | 31,933,146 | 231,744 | 32,164,890 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | 1,273,421 | 175,110,024 | 2,705,715 | 179,089,160 |
| Dividends | | - | (6,678,468) | (1,193,600) | (7,872,068) |
| "Non-controlling interest acquired during the year" | | - | - | (1,512,115) | (1,512,115) |
| At 31 December 2013 | | 1,273,421 | 168,431,556 | - | 169,704,977 |
| Profit for the year 2014 | | - | 28,401,293 | - | 28,401,293 |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income | | 1,273,421 | 196,832,849 | - | 198,106,270 |
| Dividends | 27 | - | (7,311,170) | - | (7,311,170) |
| "Non-controlling interest acquired during the year" | | - | - | - | - |
| At 31 December 2014 | | 1,273,421 | 189,521,679 | - | 190,795,100 |

Waraka wa Mabadiliko ya Hisa/Mtaji

kwa mwaka ulioishia tarehe 31 Desemba 2014

| | Maelezo | Mtaji wa hisa uliotolewa TZS' 000' | Mapato yaliyohifadhiwa TZS' 000' | Wamiliki wasio na udhibiti TZS' 000' | Total TZS' 000' |
|----------------|--------------------------------|---------------------------------------------|----------------------------------------|--------------------------------------------|--------------------|
| KAMPUNI | | | | | |
| | Tarehe 1 Januari 2013 | 1,273,421 | 143,959,986 | - | 145,233,407 |
| | Faida kwa Mwaka 2013 | - | 32,456,234 | - | 32,456,234 |
| | Mapato Mengineyo | - | - | - | - |
| | Jumla | 1,273,421 | 176,416,220 | - | 177,689,641 |
| | Gawio | 27 | (6,678,468) | - | (6,678,468) |
| | Tarehe 31 Desemba 2013 | 1,273,421 | 169,737,752 | - | 171,011,173 |
| | Faida kwa mwaka 2014 | - | 26,999,698 | - | 26,999,698 |
| | Mapato Mengineyo | - | - | - | - |
| | Jumla | 1,273,421 | 196,737,450 | - | 198,010,871 |
| | Gawio | 27 | (7,311,170) | - | (7,311,170) |
| | Tarehe 31 Desemba 2014 | 1,273,421 | 189,426,280 | - | 190,699,701 |
| KUNDI | | | | | |
| | Tarehe 1 Januari 2013 | 1,273,421 | 143,176,878 | 2,473,971 | 146,924,270 |
| | Faida kwa mwaka 2013 | - | 31,933,146 | 231,744 | 32,164,890 |
| | Mapato Mengineyo | - | - | - | - |
| | Jumla | 1,273,421 | 175,110,024 | 2,705,715 | 179,089,160 |
| | Gawio | - | (6,678,468) | (1,193,600) | (7,872,068) |
| | Kwa Wamiliki wasio na udhibiti | - | - | (1,512,115) | (1,512,115) |
| | Tarehe 31 Desemba 2013 | 1,273,421 | 168,431,556 | - | 169,704,977 |
| | Faida kwa mwaka 2014 | - | 28,401,293 | - | 28,401,293 |
| | Mapato Mengineyo | - | - | - | - |
| | Jumla | 1,273,421 | 196,832,849 | - | 198,106,270 |
| | Gawio | 27 | (7,311,170) | - | (7,311,170) |
| | Kwa Wamiliki wasio na udhibiti | - | - | - | - |
| | Tarehe 31 Desemba 2014 | 1,273,421 | 189,521,679 | - | 190,795,100 |

Consolidated Statement Of Cash Flow

for the year ended 31 December 2014

| | Notes | Group | | Company | |
|-----------------------------------------------------------------|-------|----------------------|---------------------|----------------------|---------------------|
| | | 2014 TZS' 000' | 2013 TZS' 000' | 2014 TZS' 000' | 2013 TZS' 000' |
| OPERATING ACTIVITIES | | | | | |
| Cash generated from operating activities | 26 | 53,407,043 | 59,344,517 | 53,096,603 | 55,513,491 |
| Finance income | 11 | 268,249 | 382,378 | 268,249 | 382,378 |
| Finance costs | 10 | (138,344) | (71,195) | (68,217) | (12,207) |
| Income taxes paid | 25 | (11,444,092) | (17,220,309) | (11,099,871) | (16,465,628) |
| Net cash flows from operating activities | | 42,092,856 | 42,435,391 | 42,196,764 | 39,418,034 |
| INVESTING ACTIVITIES | | | | | |
| Acquisition of Investment in Associates | | (400,000) | - | (400,000) | - |
| Acquisition of subsidiary net of cash acquired | | - | (6,128,708) | - | (6,128,708) |
| Dividend received from subsidiary | | - | - | - | 1,790,400 |
| Payment of financial asset | | (7,867,067) | | (7,867,067) | - |
| Proceeds from sale of property, plant and equipment | | 197,062 | 1,011 | 12,730 | - |
| Purchase of property, plant and equipment | 15 | (100,476,918) | (35,523,232) | (100,333,385) | (35,521,295) |
| Net cash flow used in investing activities | | (108,546,923) | (41,650,929) | (108,587,722) | (39,859,603) |
| FINANCING ACTIVITIES | | | | | |
| "Amount advanced/repaid to employees' Share Trust" | 17 | - | (109,685) | - | (109,685) |
| Repayment from employees share trust | 17 | 506,787 | 70,139 | 506,787 | 70,139 |
| Proceeds from borrowings | | 48,860,564 | | 48,860,564 | |
| Dividends paid to equity holder of parent | 27 | (7,311,170) | (6,685,459) | (7,311,170) | (6,685,459) |
| Dividend paid to non-controlling interest | | - | (1,193,600) | - | - |
| "Net cash flow generated/(used) in financing activities" | | 42,056,181 | (7,918,605) | 42,056,181 | (6,725,005) |
| Net decrease in cash and cash equivalents | | (24,397,886) | (7,134,143) | (24,334,777) | (7,166,574) |
| Net foreign exchange differences | | 3,645,801 | (1,345,532) | 3,718,116 | (1,058,553) |
| Cash and cash equivalents at the beginning of the year | | 31,552,081 | 40,031,756 | 30,531,552 | 38,756,679 |
| Cash and cash equivalents at the end of the year | 21 | 10,799,996 | 31,552,081 | 9,914,891 | 30,531,552 |

Waraka wa Mtiririko wa Fedha

kwa mwaka ulioishia tarehe 31 Desemba 2014

| Maelezo | | Kundi | | Kampuni | |
|------------------------------------------------------------------|----|----------------------|---------------------|----------------------|---------------------|
| | | 2014 TZS' 000' | 2013 TZS' 000' | 2014 TZS' 000' | 2013 TZS' 000' |
| SHUGHULI ZA UENDESHAJI | | | | | |
| Taslimu kutoka shughuli za biashara | 26 | 53,407,043 | 59,344,517 | 53,096,603 | 55,513,491 |
| Mapato ya Fedha | 11 | 268,249 | 382,378 | 268,249 | 382,378 |
| Gharama za Fedha | 10 | (138,344) | (71,195) | (68,217) | (12,207) |
| Kodi ya mapato iliyolipwa | 25 | (11,444,092) | (17,220,309) | (11,099,871) | (16,465,628) |
| Mapato halisi kutoka shughuli za biashara | | 42,092,856 | 42,435,391 | 42,196,764 | 39,418,034 |
| SHUGHULI ZA UWEKEZAJI | | | | | |
| Fedha halisi za ununuzi wa Kampuni tanzu | | (400,000) | - | (400,000) | |
| Upatikanaji wa fedha halisi wa kampuni tanzu | | - | (6,128,708) | - | (6,128,708) |
| Gawio kutoka kampuni tanzu | | | | - | 1,790,400 |
| Malipo ya rasilimali za fedha | | (7,867,067) | | (7,867,067) | |
| Mapato yaliyopatikana kwa uuzaji wa mali, mitambo na zana | | 197,062 | 1,011 | 12,730 | - |
| Ununuzi wa mali, mitambo na zana | 15 | (100,476,918) | (35,523,232) | (100,333,385) | (35,521,295) |
| Mapato halisi yaliyotumika katika uwekezaji | | (108,546,923) | (41,650,929) | (108,587,722) | (39,859,603) |
| SHUGHULI ZA KUGHARIMIA | | | | | |
| Mfuko wa Hisa za Wafanyakazi | 17 | - | (109,685) | - | (109,685) |
| Urejeshaji wa mikopo | 17 | 506,787 | 70,139 | 506,787 | 70,139 |
| Mapato yaliyopatikana na mikopo | | 48,860,564 | | 48,860,564 | |
| Magawio yaliyolipwa kwa wenye hisa wa kampuni mama | 27 | (7,311,170) | (6,685,459) | (7,311,170) | (6,685,459) |
| Gawio lililolipwa kwa Wamiliki wasio na udhibiti | | - | (1,193,600) | - | - |
| Mapato halisi yaliyotumiwa katika shughuli za kugharimia | | 42,056,181 | (7,918,605) | 42,056,181 | (6,725,005) |
| Kupungua/Ongezeko katika fedha taslimu na fedha Linganifu | | (24,397,886) | (7,134,143) | (24,334,777) | (7,166,574) |
| Tofauti Halisi ya Mabadiliko ya Fedha za kigeni | | 3,645,801 | (1,345,532) | 3,718,116 | (1,058,553) |
| Fedha taslimu na Fedha linganifu mwanzo wa mwaka | | 31,552,081 | 40,031,756 | 30,531,552 | 38,756,679 |
| Fedha taslimu na Fedha linganifu mwisho wa mwaka | 21 | 10,799,996 | 31,552,081 | 9,914,891 | 30,531,552 |

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

Notes to the consolidated Financial Statements

1. CORPORATE INFORMATION

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of Directors on 06 MARCH 2015. Tanga Cement Public Limited Company, the reporting entity, is incorporated in Tanzania under the Companies Act 2002 as a limited liability Company and is domiciled in Tanga, Tanzania. The name of the reporting entity has changed from the preceding reporting period, previously, Tanga Cement Company Limited and now Tanga Cement Public Limited Company as per Company Registrar's instructions. The Company's shares are publicly traded at the Dar es Salaam Stock Exchange. For 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 37.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are recognized at fair value. No adjustments have been made for inflationary factors affecting the statements. The consolidated financial statements are prepared in Tanzanian Shillings and all values are rounded to the nearest thousand (TZS'000), except when otherwise indicated. These consolidated financial statements cover the year ended 31 December 2014.

2.2 STATEMENT OF COMPLIANCE AND BASIS OF CONSOLIDATION

The consolidated financial statements of Tanga Cement Public Limited Company 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 2014.

The subsidiary is fully consolidated from the date of acquisition, being the date on which the Group obtains control (Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.), and continues to be consolidated until the date when such control ceases. The subsidiary is measured. 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.

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

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- 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.

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

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

b) Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associate is accounted using the equity method.

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the

amount of impairment as the difference between the recoverable amount of the associate and its carrying 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.

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.

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

Sale of goods

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

Technical fees

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

Interest income

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

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 recognised in profit or loss.

Value Added Tax

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

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

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

f) Property, plant and equipment

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

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

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

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

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

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

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

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

g) Leases

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

Group as a lessee

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

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

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same 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 substantial 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.

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

j) Financial instruments – initial recognition and subsequent measurement

i) Financial assets

Initial recognition and measurement

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

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

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

The Group's financial assets include cash and short-term deposits (included under cash and cash equivalents), trade and other receivables and trustees' share trust loan receivable.

Subsequent measurement

Cash and short-term deposits, loan and receivables loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised

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

Derecognition

A financial asset, or where applicable a part of a financial asset or part of a Group of similar financial assets is derecognised when:

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

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

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

Impairment of financial assets

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an

individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Derivative financial instruments

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

Interest Rate Cap

During the year ended 31 December 2014, the Company entered into an Interest Rate Cap (IRC) with Standard Chartered Bank Limited to mitigate the volatility of the interest rate of the borrowing facility of USD 45,000,000 for a period of 12 years. The effective date of commencement of the IRC is 27 June 2014. The premium paid is USD 6,690,000 with a floating rate of 6 months USD Libor and is capped at 2%. Hedge accounting has not been adopted for the IRC instrument as the hedging arrangements did not meet the criteria for hedge accounting stipulated in IAS 39 Financial Instruments: Recognition and Measurement.

The premium paid is recognized at the Fair Value and any changes are capitalized as borrowing costs in Property, Plant and Equipment.

The result of measuring the IRC instrument at fair value is a financial liability as indicated below:

In USD '000s

| | 2014 | 2013 |
|----------------------|---------|------|
| At 30th June | 6,690 | - |
| Change in fair value | (2,132) | - |
| At 31 December | 4,558 | - |

Note 29 provide a detailed breakdown of the interest rate cap disclosure.

There were no transfers into and out of the fair value hierarchies.

The Company has no nonfinancial assets and liabilities that are measured at fair value.

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

After initial recognition, trade and other payables, bank overdrafts, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Derecognition

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

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

Offsetting of financial instruments

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

k) Inventories

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

Raw materials:

Purchase cost on a first in, first out basis.

Finished goods and work in progress:

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

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

l) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

Goodwill

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

m) Royalties

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

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

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

Restoration costs are estimated at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The estimates are discounted at a pre-

tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

p) Employees' benefits

Pension benefit

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

Termination benefits

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

q) Employees bonus

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

r) Comparatives

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

s) Determination of fair value

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

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

t) Cash Dividend and non-cash distributions

The Company recognises dividend liability when the distribution is authorised and the distribution is no longer at the discretion of the Company, a distribution is authorised when it is approved by the board of directors. A corresponding amount is recognised directly in equity.

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

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

2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

The nature and the impact of each new standard and amendment is described below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

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

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Group as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 Impairment of Assets clarify the disclosure requirements in respect of fair value less costs of disposal. The amendments remove the requirement to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant. In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal.
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Annual Improvements 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Group, since the Group is an existing IFRS preparer.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Estimates and assumptions

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

Provision for quarry restoration

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

For the carrying amount of provision for quarry restoration refers to Note 23.

Asset useful lives

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

The carrying amount of property, plant and equipment refers to Note 15.

Contingencies

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

Litigation and other judicial proceedings as a rule raise difficult and complex legal issues and are subject to uncertainties and complexities including, but not limited to, the facts and circumstances of each particular case, issues regarding the jurisdiction in which each suit is brought and differences in applicable law. Upon resolution of any pending legal matter, the company may be forced to incur charges in excess of the presently established provisions and related insurance coverage. It is possible that the financial position, results of operations or cash flows of the company could be materially affected by the unfavourable outcome of litigation.

For details in contingent liabilities amounts, please refer to Note 35..

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable market data where possible, but where this is not feasible, a degree of judgement is required in

establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets

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

Refer to Notes 15 and 2.3 (i) for carrying amounts of assets and accounting impairment policy.

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

The Group performed its annual impairment test in 2014 and 2013. The Group considers the relationship between its value in use and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2014, the investment of the Group in Cement Distributor East African Limited was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segment. In addition, the changes in group distribution model have led to a decrease in CGUs contribution to Group's distribution activity.

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

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

For disclosures and details of tax refer to Note 13.

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, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition.
- A performance target must be met while the counterparty is rendering service.
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
- A performance condition may be a market or non-market condition.
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

IFRS 15 Revenue from Contracts with Customers

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

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

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

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used

in very limited circumstances to amortise intangible assets.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under

IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs of disposal. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

IFRS 14 Regulatory Deferral Accounts

Effective for annual periods beginning on or after 1 January 2016.

IFRS 14 allows an entity, whose activities are subject to rate regulation to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income.

The standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

In the 2012-2014 annual improvements cycle, the IASB issued five amendments to four standards, summaries of which are provided below. The changes are effective 1 January 2016. Earlier application is permitted and must be disclosed.

IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

Changes in methods of disposal

- Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5.
- The amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures.

Servicing contracts

- The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7.B30 and

IFRS 7.42C in order to assess whether the disclosures are required.

- The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

Applicability of the offsetting disclosures to condensed interim financial statements

- The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report.
- The amendment must be applied retrospectively.

IFRS 14- Regulatory Deferral Account

IFRS 14 allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first time adoption of IFRS. The standard does not apply to existing IFRS preparers. Also, an entity whose current GAAP does not allow the recognition of rate-regulated assets and liabilities, or that has not adopted such policy under its current GAAP, would not be allowed to recognise them on first-time application of IFRS.

IAS 19- Regional market issue

It clarifies that the discount rate used in discounting post-employment benefit plan obligations is based on high-quality corporate bonds in that same currency.

IAS 34- Disclosure of information "elsewhere in the interim financial report"

Required disclosures in IAS 34 can be in the interim financial statements or in the other information in a financial report (e.g., management report). If information is included 'elsewhere in the interim financial report', a cross-reference from the financial statements to the location of this information must be made.

IAS 1 Disclosure Initiative – Amendments to IAS 1

Effective for annual periods beginning on or after 1 January 2016.

Key requirements

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements.

The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

AS STRONG AS
YOUR BOND

The strength of bonds with the ones you love makes every moment of your life meaningful. It's the same strength you find in Simba Cement. Used in buiding the majestic **Namanga Road in Arusha.**

STRENGTH WITHIN

Notes to the consolidated financial statements

for the year ended 31 December 2014

| | Group 2014 Tzs' 000' | Group 2013 Tzs' 000' | Company 2014 Tzs' 000' | Company 2013 Tzs' 000' |
|-----------------------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| 5. REVENUE | | | | |
| Cement revenue | 214,713,708 | 226,205,478 | 187,073,449 | 180,164,890 |
| Transport revenue | 17,387,015 | 6,855,120 | 7,919,355 | 2,619,143 |
| Total | 232,100,723 | 233,060,598 | 194,992,804 | 182,784,033 |
| 6. OTHER INCOME | | | | |
| Sundry income | 444,475 | 66,823 | 433,740 | 63,906 |
| Dividend Income from Subsidiary | - | - | - | 1,790,400 |
| Interest expense - Quarry rehabilitation | (3,999) | - | (3,999) | - |
| Gain (loss) on sale of property, plant and equipment | 124,387 | 1,011 | (2,210) | - |
| Total | 564,863 | 67,834 | 427,531 | 1,854,306 |
| 7. SELLING EXPENSES | | | | |
| Other marketing and sales expenses | 217,947 | 122,532 | 217,947 | 122,532 |
| Personnel expenses | 1,124,585 | 943,870 | 1,124,585 | 943,870 |
| Third party service | 2,059,175 | 1,133,756 | 2,059,175 | 1,133,756 |
| Total | 3,401,707 | 2,200,158 | 3,401,707 | 2,200,158 |
| 8. ADMINISTRATION EXPENSES | | | | |
| Personnel expenses | 8,871,232 | 10,694,355 | 6,628,447 | 6,424,809 |
| Third party service | 2,203,484 | 2,013,433 | 2,203,484 | 2,013,433 |
| Loss on sale of property, plant and equipment | - | - | - | 33,141 |
| Other administration expenses | 4,910,990 | 3,421,481 | 1,188,187 | 1,391,561 |
| Total | 15,985,706 | 16,129,269 | 10,020,118 | 9,862,944 |
| 9. OPERATING PROFIT | | | | |
| Operating profit from operations is after charging/(crediting): | | | | |
| Audit fees | | | | |
| - External | 157,980 | 194,729 | 105,034 | 139,773 |
| Directors' remuneration | | | | |
| - Director's Expenses | 126,005 | 133,455 | 126,005 | 123,915 |
| - Management Fee | 1,542,213 | 2,110,900 | - | - |
| Staff costs: | | | | |
| - Service costs | 13,817,470 | 14,397,796 | 13,817,470 | 13,314,896 |
| - Pension costs (Defined contribution plan) | 1,198,499 | 1,748,631 | 1,198,499 | 1,532,051 |
| Rentals -Operating Lease payments | 508,078 | 1,127,738 | 508,078 | 585,322 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

| | Group 2014 Tzs' 000' | Group 2013 Tzs' 000' | Company 2014 Tzs' 000' | Company 2013 Tzs' 000' |
|------------------------------------------------------------------------------------|----------------------------|----------------------------|------------------------------|------------------------------|
| Depreciation | | | | |
| Charge for the year (Note 15) | 6,241,918 | 6,290,243 | 6,040,372 | 6,015,769 |
| Adjustment (Note 15) | (1,096,015) | (237,474) | (1,096,015) | (237,474) |
| | 5,145,903 | 6,052,769 | 4,944,357 | 5,778,295 |
| 10. FINANCE COSTS | | | | |
| Interest on bank overdraft | 138,344 | 71,195 | 68,217 | 12,207 |
| Total | 138,344 | 71,195 | 68,217 | 12,207 |
| 11. FINANCE INCOME | | | | |
| Interest on bank deposit | 268,249 | 382,378 | 268,249 | 382,378 |
| 12. FOREIGN EXCHANGE LOSSES | | | | |
| Exchange difference on cash and cash equivalent | (3,645,801) | 1,345,531 | (3,718,116) | 1,058,553 |
| 13. INCOME TAX | | | | |
| 13a Consolidated statement of profit or loss and other comprehensive income | | | | |
| Current income tax | 14,298,980 | 12,475,986 | 14,098,721 | 11,906,091 |
| Adjustments in respect of current income tax of previous year | 224,148 | 810,670 | 288,583 | 810,670 |
| Deferred tax charge | 603,069 | 872,223 | 603,069 | 872,223 |
| | 15,126,197 | 14,158,879 | 14,990,373 | 13,588,984 |
| 13b Deferred tax liability | | | | |
| Due to accelerated capital allowances and provisions | | | | |
| At 1 January | 20,226,783 | 19,354,560 | 20,226,783 | 19,354,560 |
| Charge for the year | 603,069 | 872,223 | 603,069 | 872,223 |
| At 31 December | 20,829,852 | 20,226,783 | 20,829,852 | 20,226,783 |
| Total deferred tax liability | 20,829,852 | 20,226,783 | 20,829,852 | 20,226,783 |
| 13c Tax rate reconciliation | | | | |
| | % | % | % | % |
| Standard rate of Tanzania normal taxation | 30 | 30 | 30 | 30 |
| The standard rate has been affected by: | | | | |
| - Expenses not deductible for tax purposes | 3 | 3 | 3 | 2 |
| - Adjustments in respect of current income tax of previous year | 1 | 1 | 1 | 1 |
| Effective tax rate | 34 | 34 | 34 | 33 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

14. EARNINGS PER SHARE

14. (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 | | | | | |
| 000's TZS | Tzs | 28,401,293 | 31,933,146 | 26,999,698 | 32,456,234 |
| | | Number | Number | Number | Number |
| Weighted average number of ordinary shares | | 63,671,045 | 63,671,045 | 63,671,045 | 63,671,045 |

14. (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 | | | | | |
| 000's TZS | Tzs | 28,401,293 | 31,933,146 | 26,999,698 | 32,456,234 |
| | | Number | Number | Number | Number |
| Weighted average number of ordinary shares | | 63,671,045 | 63,671,045 | 63,671,045 | 63,671,045 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

15 PROPERTY, PLANT AND EQUIPMENT

15(a) PROPERTY, PLANT AND EQUIPMENT - GROUP

| | Land and Buildings | Plant and Machinery | Motor Vehicles | Furniture Fittings & Equipment | Capital Work in Progress | Total |
|----------------------------|-----------------------|------------------------|-------------------|--------------------------------------|--------------------------------|--------------------|
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| At 1 January 2014 | 26,072,522 | 109,311,438 | 2,201,628 | 455,403 | 38,251,215 | 176,292,206 |
| Additions | 46,351 | 1,263,120 | 522,380 | 190,151 | 98,454,916 | 100,476,918 |
| Disposals | - | (657,712) | (97,335) | (900) | - | (755,947) |
| At 31 December 2014 | 26,118,873 | 109,916,846 | 2,626,673 | 644,654 | 136,706,131 | 276,013,177 |
| Depreciation | | | | | | |
| At 1 January 2014 | 3,877,352 | 32,413,977 | 1,947,912 | 150,697 | - | 38,389,938 |
| Charge for the year | 636,511 | 5,302,907 | 247,038 | 55,462 | - | 6,241,918 |
| Disposals | - | (639,311) | (43,960) | - | - | (683,271) |
| Adjustments | (119,641) | (852,599) | (121,194) | (2,581) | - | (1,096,015) |
| At 31 December 2014 | 4,394,222 | 36,224,974 | 2,029,796 | 203,578 | - | 42,852,570 |
| Carrying amount | | | | | | |
| At 31 December 2014 | 21,724,651 | 73,691,872 | 596,877 | 441,076 | 136,706,131 | 233,160,607 |
| At 1 January 2013 | 25,132,762 | 105,256,633 | 2,201,628 | 339,328 | 8,103,421 | 141,033,772 |
| Additions | 44,501 | 1,820,292 | - | 116,075 | 33,542,364 | 35,523,232 |
| Transfers | 895,259 | 2,499,311 | - | - | (3,394,570) | - |
| Disposals | - | (264,798) | - | - | - | (264,798) |
| At 31 December 2013 | 26,072,522 | 109,311,438 | 2,201,628 | 455,403 | 38,251,215 | 176,292,206 |
| Depreciation | | | | | | |
| At 1 January 2013 | 3,245,192 | 27,525,848 | 1,669,035 | 128,751 | - | 32,568,826 |
| Charge for the year | 632,160 | 5,279,165 | 334,595 | 44,323 | - | 6,290,243 |
| Disposal | - | (231,657) | - | - | - | (231,657) |
| Adjustment | - | (159,379) | (55,718) | (22,377) | - | (237,474) |
| At 31 December 2013 | 3,877,352 | 32,413,977 | 1,947,912 | 150,697 | - | 38,389,938 |
| Carrying amount | | | | | | |
| At 31 December 2013 | 22,195,170 | 76,897,461 | 253,716 | 304,706 | 38,251,215 | 137,902,268 |

Information relating to property, plant and equipment:

i) The property, plant and equipment are used as security for facilities provided by NBC Limited, Standard Chartered Bank Limited and Stanbic Bank Tanzania Limited, refer Note 31.

Notes to the consolidated financial statements

for the year ended 31 December 2014

“ii) Capitalised borrowing costs:

The Group started the construction of a project referred as TK2 for the approved construction of the kiln number 2. Projected total cost for TK2 is TZS 262 Billion. This project is expected to be completed in the second half of 2015. The carrying amount of the TK2 at 31 December 2014 was TZS 132 billion(2013:Nil)

The amount of borrowing costs capitalised during the year ended 31 December 2014 was TZS 3.6 Billion (2013: Nil).

iii) Included in plant and machinery at 31 December 2014 is TZS 4.6 billion relating to the insurance spares moved from inventory to plant, machinery and equipment (2013: TZS 4.6 billion).

iv) At the date of acquisition, the fair values of Cement Distributors East Africa Limited’s Assets was considered to be equal to its carrying amount with the exception of Land and buildings which was valued at TZS 3.4 billion above its carrying amount. This figure has been included in the consolidated financial statements.

v) Adjustments are related to reassessments of useful lives

vi) No item of Property, Plant and Equipment was temporarily idle/not in use as at 31 December 2014.

15(b) PROPERTY, PLANT AND EQUIPMENT - COMPANY

| | Land and Buildings | Plant and Machinery | Motor Vehicles | Furniture Fittings & Equipment | Capital Work in Progress | Total |
|----------------------------|-----------------------|------------------------|-------------------|--------------------------------------|--------------------------------|--------------------|
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| At 1 January 2014 | 20,844,244 | 109,133,109 | 1,430,523 | 231,110 | 38,251,216 | 169,890,202 |
| Additions | 46,351 | 1,263,120 | 379,340 | 189,658 | 98,454,916 | 100,333,385 |
| Transfers | - | - | - | - | - | - |
| Disposals | - | (654,251) | (43,959) | - | - | (698,210) |
| At 31 December 2014 | 20,890,595 | 109,741,978 | 1,765,904 | 420,768 | 136,706,132 | 269,525,377 |
| Depreciation | | | | | | |
| At 1 January 2014 | 3,583,835 | 32,268,880 | 1,233,184 | 67,857 | - | 37,153,756 |
| Charge for the year | 563,132 | 5,266,228 | 173,271 | 37,741 | - | 6,040,372 |
| Disposals | - | (639,311) | (43,960) | - | - | (683,271) |
| Adjustment | (119,641) | (852,599) | (121,194) | (2,581) | - | (1,096,015) |
| At 31 December 2014 | 4,027,326 | 36,043,198 | 1,241,301 | 103,017 | - | 41,414,842 |
| Carrying amount | | | | | | |
| At 31 December 2014 | 16,863,269 | 73,698,780 | 524,603 | 317,751 | 136,706,132 | 228,110,535 |
| At 1 January 2013 | 19,904,484 | 105,080,241 | 1,430,523 | 115,035 | 8,103,422 | 134,633,705 |
| Additions | 44,501 | 1,818,355 | - | 116,075 | 33,542,364 | 35,521,295 |
| Transfers | 895,259 | 2,499,311 | - | - | (3,394,570) | - |
| Disposals | - | (264,798) | - | - | - | (264,798) |
| At 31 December 2013 | 20,844,244 | 109,133,109 | 1,430,523 | 231,110 | 38,251,216 | 169,890,202 |
| Depreciation | | | | | | |
| At 1 January 2013 | 3,025,055 | 27,420,906 | 1,086,526 | 74,631 | - | 31,607,118 |
| Charge for the year | 558,780 | 5,239,010 | 202,376 | 15,603 | - | 6,015,769 |
| Adjustment | - | (231,657) | - | - | - | (231,657) |
| Disposals | - | (159,379) | (55,718) | (22,377) | - | (237,474) |
| At 31 December 2013 | 3,583,835 | 32,268,880 | 1,233,184 | 67,857 | - | 37,153,756 |
| Carrying amount | | | | | | |
| At 31 December 2013 | 17,260,409 | 76,864,229 | 197,339 | 163,253 | 38,251,216 | 132,736,446 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

| | Group 2014 Tzs' 000' | Group 2013 Tzs' 000' | Company 2014 Tzs' 000' | Company 2013 Tzs' 000' |
|-----------------------------------|----------------------------|----------------------------|------------------------------|------------------------------|
| 16. INTANGIBLE ASSETS | | | | |
| Goodwill | | | | |
| At 1 January | 7,444,384 | 2,827,792 | - | - |
| Acquisition of Subsidiary Company | | 4,616,592 | | |
| Impairment | (6,872,397) | - | - | - |
| At 31 December | 571,987 | 7,444,384 | - | - |

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 Directors review the goodwill for impairment annually based on projected cash flows for the cash generating units, using Weighted Average Cost of Capital (WACC) of 19% and long term inflation of 5.4% as per projected performance of the Company for five years plan. The company reviewed its distribution model towards the end of 2013 financial year where cement sales through CDEAL were reduced to cater for the prevailing market conditions. This led to reduced CDEAL operations and thus reduced profits. The impairment test was performed and goodwill was impaired by 6.9 billion (2013: 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.

17. EMPLOYEES' SHARE TRUST

| | | | | |
|-----------------------------|-----------|----------------|-----------|----------------|
| Opening balance | 506,787 | 467,241 | 506,787 | 467,241 |
| Loan repayment | (506,787) | (70,139) | (506,787) | (70,139) |
| | - | 397,102 | - | 397,102 |
| Additional advance provided | - | 109,685 | - | 109,685 |
| Total | - | 506,787 | - | 506,787 |

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

18. INVESTMENT

| | | | | |
|---------------------------------------------|----------|----------|------------------|-------------------|
| Investment in subsidiary | - | - | 11,596,812 | 5,468,104 |
| Additional Investment in subsidiary company | - | - | - | 6,128,708 |
| Impairment | - | - | (6,872,398) | - |
| | - | - | 4,724,414 | 11,596,812 |

Tanga Cement Public Limited Company made a decision to change its distribution model due to changes in the market conditions, where a number of distributors are now used instead of using Cement Distributors (EA) Ltd as our major distribution company. This caused decreased CDEAL operations leading to reduced profit. After conducting an impairment test it was revealed that Tanga Cement Public Limited Company investment was impaired by TZS 6.9 billion. The board decided to write-off the same amount to reflect the fair value of the investment.

Tanga Cement Plc 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 Tanzania. 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.

Notes to the consolidated financial statements

for the year ended 31 December 2014

| 18. INVESTMENT (Continued) | Group 2014 Tzs' 000' | Group 2013 Tzs' 000' | Company 2014 Tzs' 000' | Company 2013 Tzs' 000' |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| Following the government initiative to re-invest in the railway transport, Tanga Cement Public Limited Company also injected TZS 400 million to EARHL to boost its operations and increase efficiency. Previously the company was fully amortised in the books of Tanga Cement Public Limited Company. | | | | |
| Cost of acquisition | 131,875 | - | 131,875 | 131,875 |
| Additional Investment | 400,000 | - | 400,000 | - |
| Impairment | (131,875) | - | (131,875) | (131,875) |
| | 400,000 | - | 400,000 | - |

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

| | Unaudited Figure | | Audited Figure |
|------------------------------------------|-------------------------|------------------|-----------------------|
| Sales | 3,106,461 | 1,830,334 | - |
| Operating profit/(loss) | (52,978) | (384,761) | - |
| Borrowing costs | - | (109,893) | - |
| Loss before taxation | (52,978) | (494,654) | - |
| Taxation | - | - | - |
| Loss for year | (52,978) | (494,654) | - |
| Share of earnings retained by associates | (52,978) | (494,654) | - |
| Net liabilities during year | - | (569,936) | - |

| | As at 31 December | | As at 31 December |
|----------------------------------|--------------------------|-------------|--------------------------|
| Share capital | 2,659,375 | 659,375 | - |
| Accumulated loss | (1,760,994) | (1,723,965) | - |
| Non-current liabilities | 4,157,968 | 45,296 | - |
| Non-current assets | 4,244,620 | 98,244 | - |
| Net current assets/(liabilities) | 592,569 | (1,117,538) | - |

(i) The above figures are determined from the latest unaudited financial statements for the year ended 31 December 2014.

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

19. INVENTORIES

| | | | | |
|------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Raw materials (at cost) | 5,051,973 | 4,529,622 | 5,051,973 | 4,529,622 |
| Semi finished and finished products (at cost) | 12,438,881 | 3,841,104 | 12,202,510 | 2,936,430 |
| Fuels (at cost) | 6,298,041 | 2,187,807 | 6,298,041 | 2,187,807 |
| Parts and consumables (at cost) | 17,239,129 | 15,795,760 | 17,239,129 | 15,795,759 |
| Goods In Transit | 425,869 | 931,291 | - | - |
| | 41,453,893 | 27,285,584 | 40,791,653 | 25,449,618 |
| Provision for obsolete stocks | (5,277,295) | (5,192,437) | (5,277,295) | (5,192,437) |
| Total inventories at the lower of cost and net realisable value | 36,176,598 | 22,093,147 | 35,514,358 | 20,257,181 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

| | Group 2014 Tzs' 000' | Group 2013 Tzs' 000' | Company 2014 Tzs' 000' | Company 2013 Tzs' 000' |
|-----------------------------------------------|----------------------------|----------------------------|------------------------------|------------------------------|
| 19. INVENTORIES (Continued) | | | | |
| Movement on the provision for obsolete stocks | | | | |
| At 1 January | 5,192,437 | 4,566,086 | 5,192,437 | 4,566,086 |
| Charge for the year | 84,858 | 626,351 | 84,858 | 626,351 |
| At 31 December | 5,277,295 | 5,192,437 | 5,277,295 | 5,192,437 |

Obsolete stock provision is computed on all unused spare parts for a period above one year percentage wise.

A table below illustrates how the provision was arrived at:

| | Amount | % Provision | TZS000's Provision |
|----------------------------------------------------------------------|------------------|-------------|---------------------|
| Stock with no movement for past 1 year | 1,969,204 | 30% | 590,761 |
| Stock with no movement for past 2 years | 1,322,457 | 50% | 661,229 |
| Stock with no movement for past 3+ years | 5,031,632 | 80% | 4,025,305 |
| Total | 8,323,293 | | 5,277,295 |
| Calculation for Provision for Obsolete Stocks as at 31 December 2013 | | | |
| | | | |
| | Amount | % Provision | TZS 000's Provision |
| Stock with no movement for past 1 year | 2,062,814 | 30% | 618,844 |
| Stock with no movement for past 2 years | 2,167,613 | 50% | 1,083,807 |
| Stock with no movement for past 3+ years | 4,362,232 | 80% | 3,489,786 |
| Total | 8,592,659 | | 5,192,436 |

During 2014, TZS Nil (2013: TZS Nil) was recognised as an expense for inventories carried at net realisable value. The cost of inventories recognised as an expense and included in 'cost of sales' in the Group consolidated statement of comprehensive income amounted to TZS 91,461 million (2013: TZS 62,780 million). During the year, unrealised profit on the inventory was TZS 283 million (2013: TZS 1,028 million). Floating assets including the carrying amount of inventories has been pledged as security for overdraft facilities.

20. TRADE AND OTHER RECEIVABLES

| | | | | |
|-----------------------------------------|-------------------|------------------|-------------------|------------------|
| Trade accounts receivable | 7,012,559 | 3,379,793 | 4,303,528 | 8,063,612 |
| Advance to Suppliers | 75,824 | 164,584 | | - |
| Prepaid expenses | 10,514,001 | 977,399 | 18,999,705 | 977,399 |
| Other receivables | 445,792 | 373,568 | 445,792 | 373,568 |
| Provision for impairment of receivables | (91,368) | - | (91,368) | - |
| Total | 17,956,808 | 4,895,344 | 23,657,657 | 9,414,579 |

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

Notes to the consolidated financial statements

for the year ended 31 December 2014

Days sales outstanding for 2014 were 9 days (2013: 17 days).

Provision for impairment relates to advance paid for Mivumoni biofarm project.

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 104 million (2013: TZS 10 million) were past due but not impaired. These were not impaired as there is no history of default and no significant effect on time value. The ageing analysis of trade receivables was as follows:

| | | | | |
|-----------------------|------------------|------------------|------------------|------------------|
| Up to 30 days | 40,598 | 1,901,571 | 1,678,040 | 7,229,144 |
| 31 -60 days | 357,471 | 172,662 | 36,972 | 459,770 |
| 61-90 days | 2,593,598 | 34,668 | 2,484,420 | 343,172 |
| Over 91 days | 424,529 | | 104,096 | 10,113 |
| At 31 December | 3,416,196 | 2,108,901 | 4,303,528 | 8,042,199 |

For explanation on the Company and Group's credit risk management processes, refer to Note 34.

For the carrying amounts of the Company and Group's trade and other receivables which are denominated in different currencies refer to Note 34. 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.

| | Group 2014 Tzs' 000' | Group 2013 Tzs' 000' | Company 2014 Tzs' 000' | Company 2013 Tzs' 000' |
|--------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| 21. CASH AND CASH EQUIVALENTS | | | | |
| Cash at banks and on hand | 20,059,861 | 31,612,679 | 19,174,756 | 30,531,552 |
| Total | 20,059,861 | 31,612,679 | 19,174,756 | 30,531,552 |

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:

No amount of cash and cash equivalent was held but not available for use as at 31 December 2014

| | | | | |
|-----------------------------------------------|-------------------|-------------------|------------------|-------------------|
| Cash and cash equivalents as above | 20,059,861 | 31,612,679 | 19,174,756 | 30,531,552 |
| Bank overdraft (Note 30) | (9,259,865) | (60,598) | (9,259,865) | - |
| Net cash and cash equivalent (Note 21) | 10,799,996 | 31,552,081 | 9,914,891 | 30,531,552 |

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 | 20,000,000 | 16,500,000 | 20,000,000 | 15,000,000 |
| Stanbic Bank Tanzania Limited | - | 4,000,000 | - | 4,000,000 |

22. 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 |
|-------------------------------------------|-----------|-----------|-----------|-----------|

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 |
|-------------------------------------------|-----------|-----------|-----------|-----------|

Notes to the consolidated financial statements

for the year ended 31 December 2014

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 | 66.6 | 62.5 | 66.6 | 62.5 |
| Tanga Cement Employee Share Trust | 0.8 | 0.8 | 0.80 | 0.8 |
| Tanzania General Public | 32.6 | 36.7 | 32.60 | 36.7 |
| | 100.00 | 100.00 | 100.00 | 100.00 |

23. PROVISION FOR LIABILITIES AND CHARGES

| Provision for Quarry Site Restoration | | | | |
|---------------------------------------|----------------|---------------|----------------|---------------|
| At 1 January | 73,449 | 69,448 | 73,449 | 69,448 |
| Addition provision during the year | 28,128 | 4,001 | 28,128 | 4,001 |
| At 31 December | 101,577 | 73,449 | 101,577 | 73,449 |

Provision for quarry site restoration is made annually in equal instalments, currently based on the expert costing prepared in 2005 and updated in 2013. The provision is assessed annually by management and new cost estimates are prepared by external specialist consultants every five years. Any increase/(decrease) in the provision is recognised in the consolidated statement of comprehensive income.

The useful life of the quarry is estimated to be 50 years and the provision was made for immediate closure of the quarry.

| Present Value of future closure requirement in TZS 000's | |
|----------------------------------------------------------|-------------|
| WACC | 16.57% |
| Nper | 50 |
| FV | -51,605,304 |
| PV | 28,128 |

| | Group 2014 Tzs' 000' | Group 2013 Tzs' 000' | Company 2014 Tzs' 000' | Company 2013 Tzs' 000' |
|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|
| 24. TRADE AND OTHER PAYABLES | | | | |
| Trade accounts payable | 4,830,112 | 9,407,730 | 939,181 | 8,289,787 |
| Advance from customer | 2,008,010 | 2,868,487 | 1,298,215 | 1,227,040 |
| Freight and duty clearing | 1,038,158 | 428,629 | 1,038,158 | 428,630 |
| Dividend payable | 1,631,358 | 1,290,747 | 1,631,358 | 1,290,747 |
| Accrued expenses | 9,546,547 | 2,492,674 | 9,291,122 | 2,264,753 |
| Interest accrued | 366,993 | - | 366,993 | - |
| Contract Retention | 8,947,844 | - | 8,947,844 | - |
| Other payables | 17,070,907 | 2,681,185 | 24,646,228 | 1,980,299 |
| Total | 43,439,929 | 19,169,452 | 48,159,099 | 15,481,256 |

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 three to six months. The increased portion compared to last year is mainly due to liabilities for kiln 2 project.
- Contract retention relates to liabilities for Kiln 2 project which are to be settled after commissioning.
- Interest accrued relates to interest charges for the loan taken from Government Employees Pension Fund for Kiln 2 Project.
- For terms and conditions relating to related parties, refer to Note 31.

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

Notes to the consolidated financial statements

for the year ended 31 December 2014

25 INCOME TAX PAYABLE

| | | | | |
|----------------------------------|------------------|--------------------|------------------|--------------------|
| At 1 January | (1,647,429) | 2,286,224 | (1,749,304) | 1,999,563 |
| Payment made during the year | (11,444,092) | (17,220,309) | (11,099,871) | (16,465,628) |
| Current year provision (Note 13) | 14,523,128 | 13,286,656 | 14,387,304 | 12,716,761 |
| At 31 December | 1,431,607 | (1,647,429) | 1,538,129 | (1,749,304) |

| 25(a) TAX RECOVERABLE | Group | | Company | |
|----------------------------------|----------------|------------------|-----------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| At 1 January | 4,780,650 | 5,643,832 | - | - |
| Receivable from Income Tax | (1,647,429) | 1,647,429 | - | - |
| Payment received during the year | (2,607,655) | (2,510,611) | - | - |
| At 31 December | 525,566 | 4,780,650 | - | - |

26 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | | | | |
|--------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Profit from operation | 39,751,784 | 47,358,117 | 38,071,923 | 46,733,600 |
| Adjusted for Non cash movement: | | | | |
| Depreciation (Note 9) | 5,145,903 | 6,052,769 | 4,944,357 | 5,778,295 |
| Provision for obsolete stocks | 84,858 | 626,351 | 84,858 | 626,351 |
| (Gain) loss on sale of property, plant & equipment | (124,387) | 1,011 | 2,210 | - |
| Site restoration provision | 28,128 | 4,001 | 28,128 | 4,001 |
| Other non cash items | 6,787,540 | - | 6,787,538 | - |
| Operating profit before working capital changes | 51,673,826 | 54,042,249 | 49,919,014 | 53,142,247 |
| (Increase)/decrease in inventory | (14,083,452) | 9,788,919 | (15,257,177) | 7,368,315 |
| (Increase)/ decrease in trade and other receivables | (13,061,464) | (1,246,198) | (14,243,078) | (275,420) |
| Increase in tax recoverable | 2,607,655 | 863,182 | - | - |
| Increase/(decrease) in trade and other payables | 26,270,478 | (4,103,635) | 32,677,844 | (4,721,651) |
| Cash generated from operating activities | 53,407,043 | 59,344,517 | 53,096,603 | 55,513,491 |

Notes to the consolidated financial statements

27 DIVIDEND PAID AND PROPOSED

| | Group | | Company | |
|------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| Dividend paid during the year | | | | |
| Dividends on ordinary shares: | | | | |
| Final dividend 2013: TZS 60 per share (2012: TZS 55 per share) | 3,820,263 | 3,501,907 | 3,820,263 | 3,501,907 |
| Interim dividend 2014: TZS 55 per share (2013: TZS 50 per share) | 3,490,907 | 3,183,552 | 3,490,907 | 3,183,552 |
| | <u>7,311,170</u> | <u>6,685,459</u> | <u>7,311,170</u> | <u>6,685,459</u> |
| Unclaimed dividend rescinded | - | (6,991) | - | (6,991) |
| Total | <u>7,311,170</u> | <u>6,678,468</u> | <u>7,311,170</u> | <u>6,678,468</u> |

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

The final dividend for 2014 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 2014. Any dividends not claimed after seven years will be rescinded.

28 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 | 1,324 | 1,127,738 | 714 | 585,322 |
| - After one year and not more than five years | - | - | - | - |

During the year, the Company charged TZS 714 million (2013: TZS 719 million) while the Group charged TZS 1,324 million (2013: TZS 1,181 million) as expenses in the statement of comprehensive income in respect of these leases.

29 FINANCIAL ASSETS

Fair Value Disclosures

The following table provides the fair value measurement hierarchy of the company's financial instruments measured at fair value:

Fair value measurement using quoted prices in active markets

| Interest rate Cap valuation | Date | USD | TZS '000' |
|---------------------------------|--------------|-----------|------------|
| Premium paid | 30 June 2014 | 6,690,000 | 11,462,941 |
| Fair Value | 31 Dec 2014 | 4,557,976 | 7,783,068 |
| Loss on fair value | | 2,132,024 | 3,679,873 |
| FX valuation at year end | 31 Dec 2014 | 4,557,976 | 7,867,067 |
| Exchange rate gain on valuation | 31 Dec 2014 | | 83,999 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

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:

| 30(a) Standard Chartered Bank Tanzania Limited | Group | | Company | |
|------------------------------------------------|------------------|---------------------------------------------|------------------|-----------------------------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| Bank overdraft | 8,727,342 | - | 8,727,342 | - |
| Name of Holder | Facility | Repayment/ Settlements terms | Facility | Interest rate |
| Overdraft facility (TZS '000) | 10,000,000 | On demand | 10,000,000 | 12 months T-Bill +2.20% per annum |
| Opening balance 01 January | - | 2,500,000 | - | 2,500,000 |
| Repayment during the year | - | (2,500,000) | - | (2,500,000) |
| Net balance as at 31 December | - | - | - | - |

Security held by the banks

- Debenture charge over fixed & floating assets shared with National Bank of Commerce Limited and Government Employees Provident Fund on a pari passu basis;
- Legal Mortgage over Titles No. 1802, 33155, 33049 registered in name of Tanga Cement Factory, shared pari passu with National Bank of Commerce Limited and Government Employees Provident Fund;
- The overdraft bears a rate of interest of 1 year treasury bill rate plus 2.2% (2013: 1 year treasury bill rate plus 2.2% per annum), charged every month on the daily outstanding amount. It's agreed that, the Bank is entitled to vary the rate of interest provided that due notice shall be given to Tanga Cement Public Limited Company. All funding agreements share in the same intercredit agreement with GEPPF.

| 30(b) National Bank of Commerce Limited (NBC) | Group | | Company | |
|-----------------------------------------------|-----------|-----------|-----------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| Bank overdraft | 532,523 | 60,598 | 532,523 | - |

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for the year ended 31 December 2014

| Name of Holder | Facility | Repayment/ Settlements terms | Facility |
|-------------------------------|------------|------------------------------------|------------|
| Overdraft facility (TZS '000) | 20,000,000 | On demand | 20,000,000 |

Security held by the banks

- (i) Debenture charge over fixed & floating assets shared with Standard Chartered Bank Tanzania Limited and Government Employees Pension Fund (GEPF) on a pari passu basis;
- (ii) Legal Mortgage over Titles No. 1802, 33155, 33049 registered in the name of Tanga Cement Factory, shared pari passu with Standard Chartered Bank Tanzania Limited and PIC;
- (iii) The overdraft bears a rate of interest of 1 year treasury bill rate plus 2.5% (2013: NBC base rate plus 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 Public Limited Company.
- 30(c) Government Employees Pension Fund Managed by The Public Investment Corporation SOC Limited, as agent and security trustee for the South African Government Employees Pension Fund (GEPF)

| INTEREST BEARING LOANS | Interest rate | Maturity | 2014 | 2013 |
|-----------------------------------------------------|----------------------|-------------------------------|-------------------|----------|
| USD 60,000,000 PIC term loan A (2014: \$ 27,000) | 6m US Libor +3.9% | To September 2026 | 48,727,410 | - |
| | | Fx Revaluation at year end | 133,154 | - |
| Total | | | 48,860,564 | - |

| | USD | Repayment/ Settlements terms | USD | Interest rate |
|------------------------|--------------------|---------------------------------|--------------------|-------------------|
| Term Loan (Facility A) | 60,000,000 | To September 2026 | 60,000,000 | 6m US Libor +3.9% |
| Term Loan (Facility B) | 52,000,000 | To September 2025 | 52,000,000 | 6m US Libor +4.5% |
| Term Loan (Facility C) | 30,000,000 | To September 2025 | 30,000,000 | 6m US Libor +4.5% |
| | 142,000,000 | | 142,000,000 | |

Notes to the consolidated financial statements

for the year ended 31 December 2014

30(d) Government Employees Pension Fund

The purpose of the term loan is to fund the construction of a new kiln for the production of 750,000 tons of clinker per annum. The specific terms and conditions are as follows:

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

Security held by the banks

- (i) Debenture charge over fixed & floating assets shared with National Bank of Commerce (NBC) Limited and Standard Chartered Bank Tanzania Limited on a pari passu basis;
- (ii) Legal Mortgage over Title No. 1802 registered in name of Tanga Cement Factory, Maweni
- (iii) Legal Mortgage over Title No. 33155 registered in name of Tanga Cement Factory, Pongwe
- (iv) Legal Mortgage over Title No. 33049 registered in name of Tanga Cement Factory, Raskazone

31 RELATED PARTY TRANSACTIONS

31(a) The Company sells a portion of its production through Cement Distributors (EA) Limited (CDEAL), subsidiary company .

Transactions with the subsidiary in the current year at arms length were as follows:

| | Group | | Company | |
|------------------------------------------|-----------|-----------|------------|-------------|
| | 2014 | 2013 | 2014 | 2013 |
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| Sales | - | - | 52,123,276 | 105,293,316 |
| Transportation service rendered by CDEAL | - | - | 9,476,248 | 5,220,783 |

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

| | | Nature of Ownership | | | |
|---------------------------------------|---------------------|---------------------|-----------|---|---|
| Sales to related parties | | | | | |
| East African Rail Hauliers Limited | | 7,005 | 14,244 | | |
| Purchases from related parties | | | | | |
| Abbasi Exports Limited | Common shareholding | 1,944,492 | 4,314,966 | - | - |
| East African Rail Hauliers Limited | | 1,432,520 | 1,817,200 | - | - |

Notes to the consolidated financial statements

for the year ended 31 December 2014

31(c) The Group utilises services of its associate East African Rail Hauliers Limited for the transportation of cement to upcountry markets at agreed rates.

East African Rail Hauliers Limited is a Company in which Tanga Cement Company Limited owns 20% of the issued share capital. The Company commenced operations in December 2004. Its business is to provide rail services to Tanga Cement Company Limited for the transportation of cement in Tanzania according to a commercial contract signed between the two parties. There were no transactions between East African Rail Hauliers in the recent years until the fourth quarter of 2014 when the rail transport got initiatives from the government.

31(d) Afrisam (Mauritius) Investment Holdings Limited is the holding company which own Tanga Cement Company Limited through Afrisam South Africa Properties(Pty) Limited. There were no transactions between Afrisam (Mauritius) Investment Holdings Limited and Tanga Cement Company Limited during the year (2013: Nil).

31(e) Key Management Personnel

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

| | Group | | Company | |
|------------------------------------------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Key Management compensation | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| Short-term employee benefits (Salary) | 3,031,386 | 2,883,729 | 1,817,703 | 2,700,613 |
| Post-employee benefits (Defined contribution plans) | 196,193 | 311,511 | 148,223 | 295,358 |
| | 3,227,579 | 3,195,240 | 1,965,926 | 2,995,971 |

During the year TZS 19.7 million was paid as terminal benefit to one member of key management personnel (2013: Nil).

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |

31 RELATED PARTY TRANSACTIONS (Continued)

Transactions with key management personnel

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

As at 31 December 2014, there was no outstanding amount with key management personnel.(2013:Nil)

31(f) Director emoluments

| | Group | | Company | |
|------------------------------------------------------------------|------------------|------------------|------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| Non-executive Chairman | 24,260 | 25,892 | 24,260 | 25,892 |
| Non-executive Directors | 101,745 | 107,563 | 101,745 | 98,023 |
| Executive Directors (Included in key management personnel above) | 546,022 | 948,337 | 546,022 | 938,877 |
| | 672,027 | 1,081,792 | 672,027 | 1,062,792 |

As at 31 December 2014, there were no outstanding balance with directors. (2013:Nil)

Notes to the consolidated financial statements

for the year ended 31 December 2014

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 2014 the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2013: 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 | - | - | 3,596,361 | 6,813,812 |
|----------------------------------|---|---|-----------|-----------|

Due to related Companies

| | | | | |
|------------------------------------|---------|---------|-----------|---------|
| Cement Distributors (EA) Limited | - | - | 1,723,498 | 683,792 |
| East African Rail Hauliers Limited | 109,211 | - | 73,103 | - |
| AfriSam South Africa (Pty) Limited | 196,416 | 346,498 | 196,416 | 346,498 |

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

32 CAPITAL COMMITMENTS

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

Approved and contracted for :

| | | | | | |
|------------------------------|-----|------------|-------------|------------|-------------|
| Renewal | TZS | 2,152,503 | 2,496,254 | 2,152,503 | 2,496,254 |
| Expansion - new kiln project | USD | 54,485,073 | 152,000,000 | 54,485,073 | 152,000,000 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

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 2014 and 31 December 2013. The Group includes within net debt bank overdraft, 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. During the year under review the group net financial debt increased up to 44% (2013 -7%) and for the company increased to 46% (2013 -9%) due to loan taken from Government Employees Pension Fund for Kiln 2 project amounting to USD 28.3 million.

| | | | | |
|--------------------------------------------------------------------------------|--------------------|---------------------|--------------------|---------------------|
| Bank overdraft (Note 30) | 9,259,865 | 60,598 | 9,259,865 | - |
| Interest-bearing loans and borrowings (Note 30) | 48,860,564 | - | 48,860,564 | - |
| Trade and other payables (Note 24) | 45,439,929 | 19,169,452 | 48,159,099 | 15,481,256 |
| Less: Cash and cash equivalent | (20,059,861) | (31,612,679) | (19,174,756) | (30,531,552) |
| Net debt | 83,500,497 | (12,382,629) | 87,104,772 | (15,050,296) |
| Capital | 190,795,100 | 169,704,977 | 190,699,701 | 171,011,173 |
| Capital and net debt | 274,295,597 | 157,322,348 | 277,804,473 | 155,960,877 |
| Gearing ratio | 44% | -7% | 46% | -9% |
| Capital includes issued and fully paid up Ordinary share and Retained Earnings | | | | |

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company and Group's principal financial liabilities, other than derivatives, are comprised of interest bearing loans, 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 Accounts Payable and Receivables, loans and borrowings.

The sensitivity analysis in the following sections relate to the positions as at 31 December in 2014 and 2013.

The sensitivity analysis have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant at 31 December 2014.

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 analysis:

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 2014

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 hold Bank Guarantees 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 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 cap arrangement with Standard Chartered Bank, the same is capped at USD 6 months libor plus 2%.

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).

| | 2014 | | 2013 | |
|--------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------|
| | Increase/ (decrease) in the value of TZS vs. other currencies | "Effect on profit/loss and equity TZS' 000 | Increase/ decrease in the value of TZS vs. other currencies | Effect on profit/ loss and equity TZS"000 |
| Net effect based on statement of financial | 10% | 6,818,752 | 10% | 1,431,488 |
| Net effect based on statement of financial | -10% | (6,818,752) | -10% | (1,431,488) |

The Company and Group sensitive analysis has been determined based on Group net transaction exposure as at 31 December 2014, 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.

Notes to the consolidated financial statements

for the year ended 31 December 2014

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign Currency risk (Continued)

The various currencies to which the Company and Group is exposed as 31 December 2014 and 2013 are summarised in the table below (All amounts expressed in TZS '000)

COMPANY 2014

| | "Exposure in USD" | Exposure in EURO | Exposure in ZAR | Total in functional currency |
|-----------------------------|----------------------|---------------------|--------------------|---------------------------------|
| ASSETS | | | | |
| Trade and other receivables | 751,642 | - | - | 751,642 |
| Cash and cash equivalents | 16,677,527 | - | - | 16,677,527 |
| LIABILITIES | | | | |
| Bank Overdraft | - | 96,768 | 31,713 | 128,482 |
| Interest bearing loans | 48,860,564 | - | - | 48,860,564 |
| Trade and other payables | 1,769,305 | - | - | 1,769,305 |

COMPANY 2013

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

Exchange rate during the year were as follows:

| | | | |
|---------------------|-------|-------|-----|
| On 1 January 2014 | 1,574 | 2,169 | 150 |
| On 31 December 2014 | 1,726 | 2,097 | 148 |
| On 1 January 2013 | 1,571 | 2,074 | 185 |
| On 31 December 2013 | 1,574 | 2,169 | 150 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

GROUP 2014

| | "Exposure in USD" | Exposure in EURO | Exposure in ZAR | Total in functional currency |
|-----------------------------|----------------------|---------------------|--------------------|---------------------------------|
| ASSETS | | | | |
| Trade and other receivables | 751,642 | - | - | 751,642 |
| Cash and cash equivalents | 16,677,527 | - | - | 16,677,527 |
| LIABILITIES | | | | |
| Bank overdraft | - | 96,768 | 31,713 | 128,482 |
| Interest bearing loans | 48,860,564 | - | - | 48,860,564 |
| Trade and other payables | 1,769,305 | - | - | 1,769,305 |

GROUP 2013

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

Exchange rate during the year were as follows:

| | | | |
|---------------------|-------|-------|-----|
| On 1 January 2014 | 1,574 | 2,169 | 150 |
| On 31 December 2014 | 1,726 | 2,097 | 148 |
| On 1 January 2013 | 1,571 | 2,074 | 185 |
| On 31 December 2013 | 1,574 | 2,169 | 150 |

Notes to the consolidated financial statements

for the year ended 31 December 2014

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available and thus the Company being unable to fulfill its existing and future cash flow obligations.

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 2014 (2013) based on contractual undiscounted payments.

34 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

| | On demand | Less than 3 months | 3 to 12 months | More than 12 months | Total |
|-----------------------------------------|-------------------|-----------------------|-------------------|------------------------|--------------------|
| | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' | TZS' 000' |
| Balance as at 31 December 2014 | | | | | |
| Bank overdraft | 9,259,865 | - | - | - | 9,259,865 |
| Interest-bearing loans | 48,860,564 | | | | 48,860,564 |
| Trade and other payables | - | 45,439,929 | - | - | 45,439,929 |
| | <u>58,120,429</u> | <u>45,439,929</u> | <u>-</u> | <u>-</u> | <u>103,560,359</u> |
| Balances as at 31 December 2013 | | | | | |
| Bank overdraft | 60,598 | - | - | - | 60,598 |
| Trade and other payables | 164,966 | 19,004,486 | - | - | 19,169,452 |
| Interest - bearing loans and borrowings | - | - | - | - | - |
| | <u>225,564</u> | <u>19,004,486</u> | <u>-</u> | <u>-</u> | <u>19,230,050</u> |

35 CONTINGENT LIABILITIES

There are several court cases instituted against the Group by some of its ex-employees whose services ceased as part of a specific redundancy exercise and others due to termination of employment or retirement. These ex-employees are claiming various termination employment benefits aggregating to over TZS 1,109 million (2013: TZS 361 million).

As at 31 December 2014 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 ruling board which ruled in favour of the Group. The Tanzania Revenue Authority has appealed against the tribunal board's ruling.

As at 31 December 2014, 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 447 million (2013: 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.

Notes to the consolidated financial statements

for the year ended 31 December 2014

36 EVENT AFTER REPORTING DATE

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

37 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.

38 INCORPORATION

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

39 CURRENCY

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

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on the date shown on page 39. They are subject to approval by the members in the Annual General Meeting.

AS STRONG AS
YOUR PASSION

The strength of your passion can turn you from an ordinary sportsperson into a star. It's the same strength you find in Simba Cement. Used in building the foundation of the **National Stadium at Dar es Salaam.**

Our commitment to quality consistency always stands out. This was evident by the presentation of Award by NBAA for the Best presented Financial Statements in 2013.

First winner in Manufacturing category 2013



Consistent Quality is our Pride

Our Commitment to quality consistency always stands out. This was evident upon presentation of Awards as the overall winner of the PMAYA and First winner in building and construction category for the year 2014.





Notice to Members

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

Notice is hereby given that the twenty first Annual General Meeting of the shareholders of Tanga Cement Public Limited Company will be held at Hyatt Regency Dar es Salaam, The Kilimanjaro, on Friday 22 May 2015 at 14:00 hours, for the following purposes:

1. Notice of Meeting

Notice convening the meeting to be taken as read.

2. Approval of Minutes

To approve and sign the minutes of the twentieth Annual General Meeting held on 22 May 2014.

3. Financial Statements and Directors' Report

To receive and adopt the Financial Statements and Directors' report for the year ended 31 December 2014.

4. Dividend for the year ended 31 December 2014

To approve the declaration of the dividend for the year ended 31 December 2014.

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 2015.

7. General

Any other business.

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

By order of the Board.



Quresh Ganijee
Company Secretary
20 April 2015

Taarifa Kwa Wanachama

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

Taarifa inatolewa kwa wanahisa kwamba Mkutano Mkuu wa Mwaka wa ishirini na moja wa wanahisa wa Kampuni ya Tanga Cement Plc utakaofanyika Hoteli ya Hyatt Regency Dar es Salaam, The Kilimanjaro, siku ya Ijumaa tarehe 22 Mei 2015 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 ishirini uliofanyika tarehe 22 Mei 2014.

3. Taarifa za Fedha na Ripoti za Wakurugenzi

Kupokea na kupitisha Taarifa za Fedha na ripoti za Wakurugenzi kwa mwaka ulioishia tarehe 31 Desemba 2014.

4. Gawio kwa Mwaka Ulioishia tarehe 31 Desemba 2013

Kuidhinisha taarifa maalumu ya gawio kwa mwaka ulioishia tarehe 31 Desemba 2014.

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 2015.

7. Majumuisho

Mengineyo.

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

Kwa agizo la Bodi.



Quresh Ganijee
Katibu wa Kampuni
20 Aprili 2015



**SIMBA
CEMENT**
STRENGTH WITHIN

TANGA CEMENT PUBLIC LIMITED COMPANY

Registered office

Korogwe Road, Pongwe Factory Area
P O Box 5053, Tanga, Tanzania
Tel: +255 27 2644500-3/2610604
Mob: +255 784 644500
+255 715 644500
Fax: +255 27 2646148

Dar es Salaam office:

3rd Floor, Coco Plaza, 254 Toure Drive
P O Box 78478, Dar es Salaam, Tanzani
Tel: +255 22 2602778/2602784
Mob: +255 685 602784
Fax: +255 22 2602785

Website: www.simbacement.co.tz

Email: info@simbacement.co.tz