

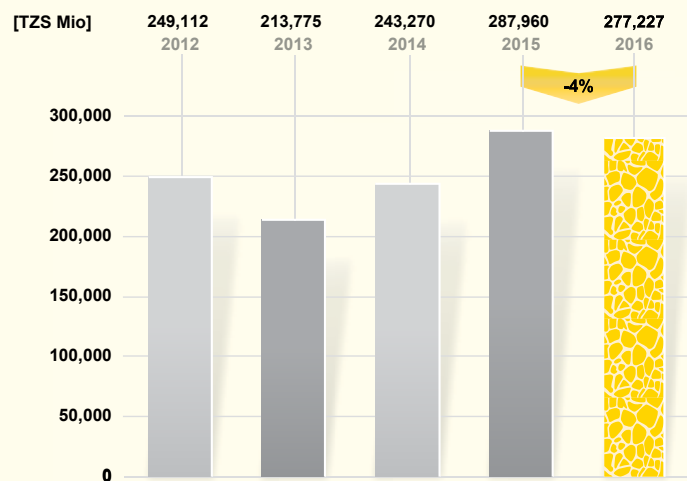


Financial Highlights

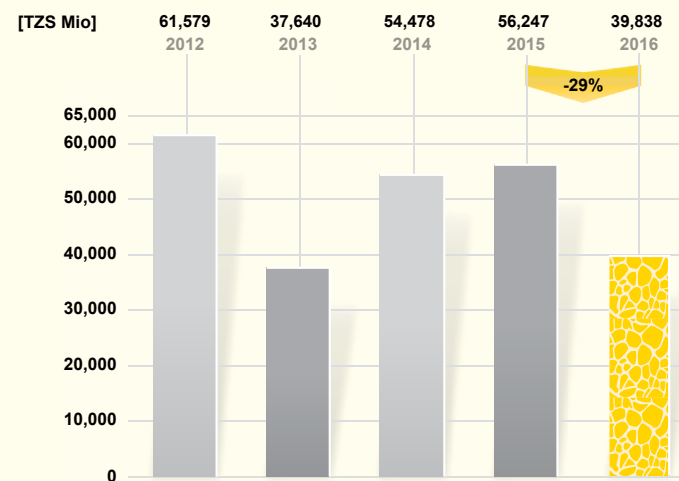
	2012 TZS' 1000	2013 TZS' 1000	2014 TZS' 1000	2015 TZS' 1000	2016 TZS' 1000
Number of employees (yearly average)	358	341	318	313	280
Income statement					
Revenue	249,111,727	213,775,188	243,269,641	287,959,748	277,226,967
Operating income before depreciation (OBID)	103,326,150	62,595,247	89,875,999	93,056,168	74,166,028
Operating income (OI)	91,366,223	49,484,552	75,643,431	73,797,955	53,887,091
Profit for the financial year	61,578,589	37,640,069	54,478,236	56,246,507	39,837,793
Earnings per share (TZS)	342.25	209.20	302.79	312.61	221.42
Dividend per share (TZS)	185.00	195.00	267.00	306.00	270.00
Investments					
Total investments in fixed assets	14,232,524	37,211,974	29,593,261	10,451,269	4,915,052
Depreciation and amortisation	-11,959,927	-13,110,694	-14,232,568	-19,258,213	-17,912,591
Balance sheet					
Non-current assets	154,752,310	177,761,974	190,415,593	181,454,208	165,953,492
Current assets	123,077,973	116,719,236	122,706,699	127,185,787	119,551,637
Equity	213,029,613	223,291,173	229,711,529	213,903,961	197,212,498
Non-current liabilities	33,351,255	30,567,743	36,829,362	37,594,456	33,787,789
Current liabilities	31,449,415	40,622,294	46,581,401	57,141,579	54,504,842
Balance Sheet Total	277,830,283	294,810,210	313,122,292	308,639,995	285,505,129
Net debt [(+) means geared]	-25,890,914	-5,413,191	7,022,542	-4,459,782	12,314,577
Ratios					
OBD Margin	41%	29%	37%	32%	29%
OI Margin	37%	23%	31%	26%	23%
Net debt/shareholders' equity (gearing)	-14%	-2%	3%	-5%	6%
Net debt/OIBD	-0.25x	-0.09x	0.08x	-0.05x	0.15x
Memo items:					
- Average exchange rate TZS/USD	1,615	1,658	1,707	2,097	2,252
- Closing exchange rate TZS/USD	1,626	1,626	1,770	2,224	2,248

Financial Highlights

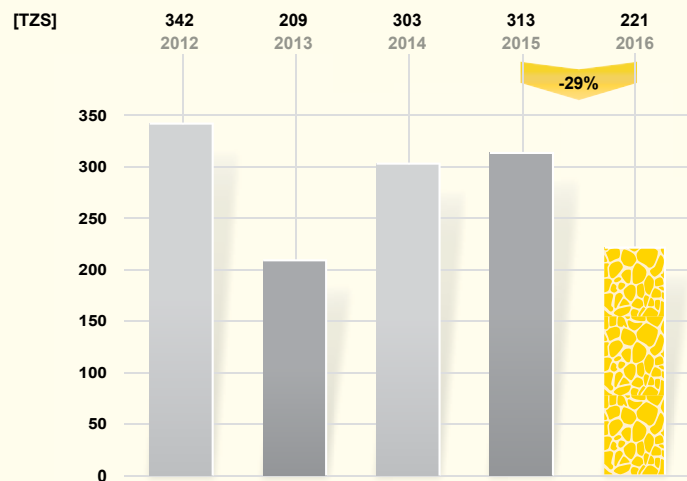
Revenue Development



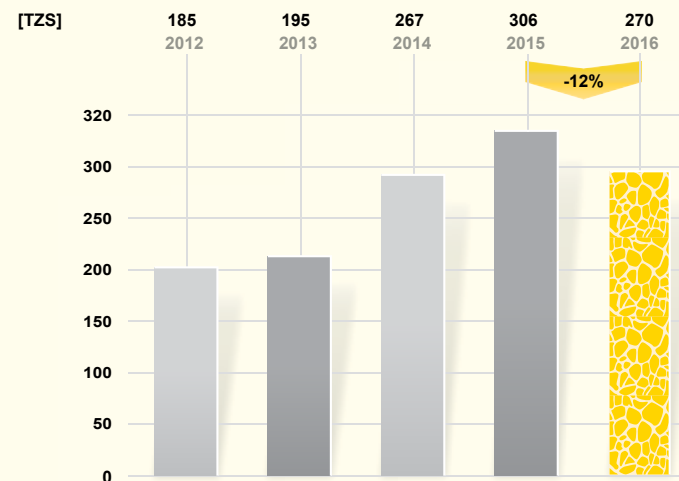
Profit/Loss in the Financial Year



Earning per Share



Dividend per Share





Contents/Yaliyomo

Operating Financial Review

Financial Highlights	i
Company Information	2
Taarifa Muhimu za Kampuni	2
Letter of Transmittal	3
Barua ya Kuwasilisha	3
Chairman's Statement	4
Maelezo Mafupi ya Mwenyekiti	7
Managing Director's Report	8
Taarifa ya Mkurugenzi Mtendaji	10
Directors' Biography	12
Sifa za Wakurugenzi	14
Key Management Personnel	16
Directors' Report	18
Taarifa ya Wakurugenzi	28
Sustainability and Corporate Governance	36
Corporate Social Responsibility	38
Statement of Directors' Responsibilities	40
Statement of Head of Finance's Responsibilities	41
Independent Auditors' Report	43

Tanzania Portland Cement Company Financial Statements

Statement of Comprehensive Income	48
Statement of Financial Position	49
Statement of Changes in Equity	50
Statement of Cash Flows	51
Notes to the Financial Statements	52
Proxy Form	81
Fomu ya Mwakilishi	82



Company Information/*Taarifa Muhimu za Kampuni*

PRINCIPAL PLACE OF BUSINESS

ENEOLA SHUGHULI ZA KAMPUNI

Tanzania Portland Cement Company Limited
Wazo Hill
P.O. Box 1950
Dar es Salaam

GROUP NAME

JINA YA KIKUNDI

HeidelbergCement AG
Berliner Straße 6
69120 Heidelberg
Germany

BANKERS

BENKI

Citibank (T) Limited
P.O. Box 71625
Dar es Salaam

National Microfinance Bank PLC

Tegeta Branch-Kibo Commercial Complex
P.O. Box 9213
Dar es Salaam

CRDB Bank (T) Limited

PPF Tower
P.O. Box 268
Dar es Salaam

National Bank of Commerce (T) Limited

Corporate Branch
P.O. Box 9062
Dar es Salaam

SOLICITORS

MAWAKILI

Law Associates (Advocates)
CRDB Building, Wing B
Azikiwe Street
P.O. Box 11133
Dar es Salaam

FB Attorneys

Amani Place
Ohio Street
P.O. Box 19813
Dar es Salaam

Kennedy M. Fungamtama, Esquire

Life House, Wing A
Cnr Sokoine Drive/Ohio Street
P.O. Box 1033
Dar es Salaam

COMPANY SECRETARY

KATIBU WA KAMPUNI

Mr. Brian Kangetta

Unit 3B, Plot No. 197, Block 3
Mwananyamala Area
P.O. Box 38192
Dar es Salaam

TAX ADVISORS

WASHAURI WA MASWALA YA KODI

KPMG, Tanzania
PPF Tower
Garden Avenue/Ohio Street
P.O. Box 1160
Dar es Salaam

COMPANY AUDITORS

WAKAGUZI WA HESABU ZA KAMPUNI

Ernst & Young

Certified Public Accountants
Tanhouse Tower
34/1 Ursino South
P.O. Box 2475
Dar es Salaam



Letter of Transmittal/*Barua ya Kuwasilisha*

The Shareholders

Tanzania Portland Cement Company Limited

Letter of Transmittal

The Directors of the Company have the pleasure to submit to you the Annual Report for the Company for the year ended 31 December 2016 in accordance with section 166 of the Companies Act, 2002.

The report contains the Chairman's Statement, Report of the Managing Director, the Annual Accounts together with Directors' Report and Auditors' Report on the Accounts.

The Directors recommend a final dividend of TZS 270 per share (2015: TZS 306). The amount includes interim dividend of TZS 120 per share paid in October 2016 and TZS 90 per share paid in February 2017.

Alfonso Rodriguez

CHAIRMAN

Tanzania Portland Cement Company Limited

Kwa Wanahisa

Tanzania Portland Cement Company Limited

Barua ya Kuwasilisha

Wakurugenzi wa Kampuni wanayo furaha kuwasilisha kwenu Taarifa ya Mwaka ya Kampuni kwa kipindi cha mwaka ulioishia Decemba 31, 2016, kwa mujibu wa ibara ya 166 ya Sheria ya Kampuni ya mwaka, 2002.

Taarifa hii inajumuisha, Maelezo Mafupi ya Mwenyekiti, Ripoti ya Mkurugenzi Mtendaji, Hesabu za mwaka, Ripoti ya Wakurugenzi na Ripoti ya Wakaguzi kuhusu hesabu hizo.

Bodi ya Wakurugenzi inapendekeza gawio la TZS 270 kwa kila hisa kwa mwaka 2016 (2015: TZS 306). Kiasi hicho kinajumuisha gawio la awali la TZS 120 kwa kila hisa lililolipwa mwezi Oktoba 2016 na TZS 90 kwa kila hisa lililolipwa mwezi February 2017.

Alfonso Rodriguez

MWENYEKITI

Tanzania Portland Cement Company Limited



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors and the Twiga Cement family, it is both an honour and a privilege to deliver this statement, my first as Chairman of the Board. It therefore gives me great pleasure to report that during the year 2016 Tanzania Portland Cement Company Limited (TPCC) maintained its industry leadership, in a particularly difficult market environment characterised by new entrants and additional extra capacity.

In the previous years, Tanzania Portland Cement Company Limited (TPCC) implemented a Continued Improvement Program (CIP) that resulted in specific actions and adjustments necessary to maintain its competitive advantage. This included among other measures, the revamping of Kiln 3, the investment in new and enhanced grinding and packing facilities, the redesigning and implementation of all business processes. The integrated ERP system and the roll out of the Customer Excellence program, and shifting focus from product to service were also measures implemented in CIP.

Economic and Business Environment

The Tanzanian economy grew at a pace of about 7% in 2016 (Source: TNBS) in line with the positive trend of previous years. The cement market is estimated to have grown above GDP rate.

2016 has been characterised by the stability of TZS exchange rate versus main foreign currencies, which has assisted to control inflation, energy and fuel cost.

The commissioning of new cement production capacity and the consequent pressure on pricing has changed the market landscape and has tested the adaptability of TPCC management structures, underscoring the efficiency of the cost fitness plans developed in the previous years.

Financial Performance

Despite of the complex environment, in 2016 TPCC achieved record sales volumes. This was a result of high production efficiency, implementation of new commercial policies and the enhancement of product portfolio.

Total revenue decreased by 10bn TZS (-4%) compared to previous year due to pressure on sale prices, but overall, TPCC was able to bank on brand recognition and quality to maintain healthy contribution margins. TPCC reached an Operating Profit of 53.8bn TZS (-27% below 2015) mainly due to pricing and impairment of obsolete assets.

Mr. Alfonso Rodriguez
Chairman
Twiga Cement

Fixed and Variable costs were also reduced thanks to an efficient cost management program.

Prospects

In a very competitive market, but with steady growth in cement demand, TPCC's strategic investments are among others extended capacity, customer focus orientations and fixed cost management, has set the basis for continuing meeting the company's long term objective

Dividend

The Board remains focused on building shareholder value and we are confident that by following our strategy, driving efficiencies and managing costs carefully, we will achieve this. The Board therefore proposes a dividend for 2016 of TZS 270 per share compared to TZS 306 in previous year. The proposed dividend includes two interim amounts of TZS 120 per share and TZS 90 per share paid in October 2016 and February 2017 respectively.

Corporate Citizenship

TPCC is fully committed towards sustainability and Social Corporate Responsibility and continues taking all necessary measures to improve its performance in aspects related to Health & Safety, environment protection, good governance, and human rights avenues.

TPCC remains a major contributor to the Tanzanian economy and society through government taxes, technology improvements, new investments, compliance with international business standards, community development programs, fair employment and by leading the industry not only in performance but also and most important in building the Nation.

Appreciation

On behalf of the Board, I would like to thank all TPCC's stakeholders, partners, customers and employees who have reposed great trust in us and our products during the past year. Above all, I would like to express my gratitude to all the Shareholders for their cooperation and continued faith in the company. We have every confidence that TPCC will continue to deliver value for the shareholders in the future.



Alfonso Rodriguez
Board Chairman







Maelezo Mafupi ya Mwenyekiti

Ndugu Wanahisa

Kwa niaba ya Bodi ya wakurugenzi na familia ya TPCC, kuweza kupata fursa hii kutoa taarifa hii kwa mara ya kwanza kama Mwenyekiti wa Bodi. Imekuwa vema kuona kuwa Kampuni (TPCC) ikiendelea kushika uongozi katika soko ukizingatia ongezeko la viwanda vipya vya saruji na uwezo zaidi wa kuzalisha saruji.

Pamoja na changamoto katika soko, uwepo wa viwanda vipya vya kuzalisha saruji katika mwaka 2016 Kampuni iliendelea kushika uongozi katika soko la saruji.

Miaka iliyopita, Kampuni ilitekeleza mpango maalum ili kuboresha utendaji wa kazi ambapo malengo maalum na marekebisho yaliwekwa ili kuifanya Kampuni kuwa ya kiushindani, hii ilijumuisha kuboresha kinu namba 3 cha kuzalisha klinka, uwekezaji zaidi kwenye mitambo ya usagaji na kupakia saruji, kupitia upya taratibu zote za uendeshaji, kuboresha mfumo wa kompyuta, utekelezaji wa huduma bora kwa wateja (CEP) na kuweka mkazo zaidi kwenye kutoa huduma bora kwa wateja.

Mtazamo wa Kiuchumi na Biashara

Katika kipindi cha mwaka 2016, uchumi wa Tanzania ulikua kwa asilimia 7% (chanzo: TNBS) ikiwa sawa na kiwango cha ukuaji uchumi kwa miaka iliyopita. Inakadiriwa kuwa soko la saruji litakua zaidi ya kiwango cha ukuaji wa pato la taifa (GDP).

Katika kipindi cha mwaka 2016, thamani ya sarafu ya Tanzania iliendelea kuimarika dhidi ya sarafu kubwa za kigeni, na hii ilisaidia kudhibiti mfumuko wa bei na gharama za nishati.

Kuzinduliwa kwa viwanda vya uzalishaji saruji pamoja na shinikizo la bei vilibadilisha matarajio ya soko na kuipa changamoto kuendana na soko huku juhudi zikiwekwa kwenye ufanisi na mipango iliyoandaliwa tangu miaka iliyopita.

Utendaji wa Kifedha

Pamoja na changamoto kwenye soko, katika mwaka wa 2016 Kampuni iliweza kuvuka malengo ya mauzo ya saruji. Hii ilitokana na ufanisi katika uzalishaji wa saruji, utekelezaji wa sera mpya za masoko na maboresho katika maeneo mbalimbali ya uzalishaji wa saruji.

Mauzo katika mwaka 2016 yalipungua kwa shilingi billion 10 hii ikiwa ni asilimia 4 ikilinganishwa na mauzo ya mwaka uliopita. Hii ilitokana na kushuka kwa bei ya saruji katika soko hata hivyo Kampuni inajivunia kujulikana kwa bidhaa zake

katika soko na ubora wa bidhaa ili kuiwezesha kupata faida. Faida ya undeshaji ilifikia shilingi bilioni 53.8 ikiwa ni asilimia 27% pungufu ya faida iliyopatikana mwaka 2015. Na hii ilisababishwa na kupungua kwa bei ya saruji katika soko na uchakavu wa baadhi ya mitambo.

Gharama za uzalishaji zimeendelea kupungua na hii imetokana na ufanisi na udhibiti wa gharama.

Matarajio

Katika soko lenye ushindani ambalo mahitaji ya saruji yakiendelea kuongezeka, uwekezaji katika uwezo wa kuzalisha saruji, wateja na pia kudhibiti gharama imefanya TPCC kuendelea kutimiza malengo yake ya muda mrefu.

Gawio

Bodi inaendelea kuhakikisha inaongeza thamani zaidi kwa wanahisa na tuna amini kuwa kwa kufuata sera, ufanisi na udhibiti wa gharama tutaweza kufikia malengo yetu. Hivyo basi, kwa mwaka 2016, Bodi inependekeza gawio la TZS 270 kwa hisa ikilinganishwa na gawio la TZS 306 lililololewa mwaka 2015. Gawio pendekezwa linajumuisha gawio la awali la TZS 120 and TZS 90 lililolipwa mwezi Oktoba 2016 na Februari 2017.

Uraia Mwema

TPCC inaendelea kutimiza ahadi zake kwa ukamilifu katika shughuli za kijamii na kuchukua hatua stahiki katika kuboresha utendaji katika maeneo ya afya na usalama, kutunza mazingira, utawala bora, haki za binadamu na sera zisizo na ubaguzi.

TPCC ni kati ya wachangiaji wakubwa katika uchumi wa Tanzania na jamii kupitia ulipaji wa kodi kwa Serikali, uboreshaji wa teknolojia, uwekezaji, kukidhi viwango vya kimataifa, shughuli za maendeleo kwa jamii, ajira kwa kuzingatia usawa, sekta ya saruji na katika ujenzi wa Taifa.

Hitimisho

Kwa niaba ya Bodi, ningependa kutoa shukrani kwa wadau wote na wafanyakazi wa TPCC kwa ushirikiano waliutoa katika kipindi cha mwaka ulipoita. Zaidi ya yote, ningependa kuwashukuru wanahisa kwa ushirikiano na imani yao kwa Kampuni. Tunamini kwamba TPCC itaendelea kuongeza thamani kwa wanahisa wake.

Alfonso Rodriguez
Mwenyekiti wa Bodi



Managing Director's Report

Introduction

Year 2016 has been a year of record for TPCC in terms of production and sales, and at the same time a year of challenges due to the new growing overcapacity which is pushing further the downwards price trend. However TPCC has continued to reduce the variable and fixed costs, and also it has increased production of clinker and cement to offset partially price drops and to remain competitive in such a difficult market environment. Despite all the efforts and improved operating performance, the Operating Profit decreased by 27% compared with the previous year driven by lower prices. The new players in the market were not an obstacle for TPCC to increase sales and to be recognized as a top quality brand within the country. Large overcapacities and pressure on price will remain a major challenge for the industry, but we count on our highly committed team to improve performance in our clinker and cement production, as well as in our sales. We have the best products and services to face the current market difficulties and our Continuous Improvement Process (CIP) program will lead to further cost optimization to keep creating added value for our stakeholders.

Sales

In 2016 TPCC reached its sales record despite the construction sector shifting from market demand to large over capacities, however the market continued to grow above GDP (7%) also due to low prices. Tanzanian domestic market reached the 4.2 million Mt, the irruption of new cement players was one of the highlights of the year that forced TPCC to adapt to the new market conditions by increasing competitiveness, volumes, reinforcing the commercial team, targeting all the regions in the Country and launching new products such as Twiga Jenga. The overall idle capacities in the cement industry represents around 4 million MT. TPCC redesigned its sales strategy moving from the commodity approach to the product differentiation through quality, from customer service to customer loyalty, from dispatching to logistics optimization.

TPCC continues to be the market leader in quality and volume, being the preferred supplier for all main national and international contractors. We continue to strengthen the Twiga brand through improved cement availability and customer service.

Operations

Year 2016 hit also a record in TPCC for production of clinker and cement. All operational parameters at TPCC for the year 2016 show again a clear improvement in terms of clinker incorporation and plant performance indicators, confirming once more the positive trend of the last exercises. This was the direct result of the excellent response of the management and the work force to the challenges and changes brought forward into the organization through the Continuous Improvement Process program (CIP). Also

Mr. Alfonso Velez
Managing Director
Twiga Cement

Managing Director's Report

major of TPCC contracts were reviewed to ensure performance and cost optimization. The cement plant is ready to face the new competition and operational challenges in full compliance with the environmental regulations.

Financial Performance

The sales and production records of TPCC in year 2016 could not offset the impact of price decrease, TPCC reached an Operating Profit of 53.8bn TZS (-27% below 2015) mainly due to pricing and impairment of assets. There is a positive trend and performance in terms of variable and fixed cost reduction, cost management becomes a must to compensate the difficult market environment. Year 2016 was also critical for the modernization of our business processes and IT infrastructure. All these efforts together are making possible an alternative to offset price drops, providing the mind-set necessary to face any major challenge.

Corporate Citizenship

In 2016 TPCC renewed the ISO 14001 and OHSAS 18001 certifications as part of its commitment on continuous improvement in line with the company's Health & Safety, Environmental & Sustainability Policies. Sustainability projects were enhanced and the number of persons that received the Environmental awareness training increased compared to prior year. More than 25 environmental awareness training campaigns and workshops were conducted during the year; participants included TPCC employees, primary & secondary schools around the plant, higher learning institutions, NGOs, and many others. Collaboration with the Roots & Shoots program through Jane Goodall Institute (JGI) Tanzania continues to push the Environmental education agenda forward for participating primary schools.

The Tree Nursery Project also continues to be active and now has more than 100,000 trees, having been grown for quarry reforestation as well as for donation to different institutions country wide.

On the Corporate Social Responsibility aspect, TPCC spent over Tzs.250million on education, health and disaster recovery donations to known institutions, centres and schools within the country. Close collaboration with government institutions continued during the year which yielded TPCCs monetary support to the government for the Kagera Earthquake recovery project which was a result of the earth quake that left hundreds of families displaced in Kagera region. Among other projects that TPCC supported includes the construction of Madale Police station, and continuous repairs of roads around Boko leading Boko primary and secondary schools.

Future Ahead

TPCC will continue to be the market leader in the cement industry of Tanzania, despite the strong competition we are fully committed to keep improving performance indicators and production cost. Our sales strategy is to capitalize on market growth to increase our sales, however large overcapacity and pressure on price will remain the major challenges for the industry. We will consolidate the new family of products and services and we will make sure to respond to our customers' needs to face the current market difficulties. This mind-set change in terms of higher production performance, cost management, and business processes improvement will provide sustainable results and strong value to our shareholders.



Taarifa ya Mkurugenzi Mtendaji

Utangulizi

TPCC iliweza kuvuka malengo iliyojiwekea kwenye uzalishaji na usambazaji wa saruji hata hivyo kulikuwa na changamoto mpya iliyotokana na ongezeko la usambazaji wa saruji ambalo lilisababisha kushuka zaidi kwa bei ya saruji. Pamoja na changamoto hizi, Kampuni iliweza kudhibiti gharama za uzalishaji na pia kuongeza uzalishaji wa klinka na saruji. Ongezeko la uzalishaji wa klinka na saruji lilisaidia kupunguza athari za kushuka kwa bei na pia kuendelea kuifanya Kampuni kuwa mshindani katika soko.

Pamoja na juhudi zote na kuboresha utendaji kazi, faida ya uendeshaji ilipungua kwa asilimia 27 ikilinganishwa na mwaka uliopita na hii ilichagizwa sana kushuka kwa bei ya saruji. Pamoja na ongezeko la wadau wapya katika uzalishaji wa saruji, Kampuni iliweza kuongeza mauzo ya saruji na iliendelea kutambulika kwa bidhaa zake bora. Ongezeko kubwa la uzalishaji pamoja na shinikizo dhidi ya bei, vitaendelea kuwa changamoto kubwa hata hivyo tunajivunia timu yetu kuendelea kuimarisha viashiria muhimu vya utendaji (KPI). Tuna bidhaa bora na huduma nzuri zitakazotwezesha kukabiliana na hali ngumu sokoni ili kuendelea kuongeza thamani kwa wadau wetu.

Mauzo

Katika mwaka 2016, Kampuni iliweza kuvuka lengo la mauzo ya saruji licha ya ongezeko kubwa la upatikanaji wa saruji kuliko mahitahi ya soko katika sekta ya ujenzi. Soko la saruji limeendelea kukua zaidi ya ongezeko la pato la taifa (GDP) nahii imetokana na punguzo la bei ya saruji. Soko la ndani limefikia tani milioni 4.2 na ongezeko la viwanda vipya vya kuzalisha saruji iliilazimu Kampuni kuweka mikakati ya kukabiliana na ongezeko la ushindani ikiwa ni pamoja na kuimarisha timu nzima ya mauzo, kuweka lengo la kufikia mikoa yote nchini na kuzindua bidhaa mpya kama vile Twiga Jenga. Kampuni inaendelea kuhakikisha mkakati wa mauzo unalenga zaidi katika utofautishaji wa bidhaa, kutoka kwenye huduma kwa wateja kwenda kwenye kujenga uaminifu kwa wateja na kutoka kwenye usambazaji na kulenga katika kuongeza ufanisi na tija katika upatikanaji wa saruji.

TPCC inaendelea kuwa kiongozi wa soko katika ubora na usambazaji wa saruji, kuwa chaguo la kwanza kwa makandarasi wote wakuu wa kitaifa na kimataifa. Tunaendelea kuimarisha chapa ya Twiga kwa kuboresha ubora wa saruji na huduma kwa wateja.

Uendeshaji

Mwaka 2016 Kampuni iliweza kuvuka malengo ya uzalishaji wa klinka na saruji. Vigezo vyote vya uendeshaji katika mwaka 2016 vinaonyesha maboresho katika matumizi ya klinka na viashiria katika utendaji wa mitambo. Hii ilikuwa ni matokeo ya moja kwa moja yatokanayo na usimamizi bora wa menejimenti na nguvu kazi katika kukabiliana na changamoto na mabadiliko yaliyotokea ndani ya Kampuni kupitia mpango endelevu wa kuimarisha mchakato wa uzalishaji (CIP). Kampuni imepitia upya mikataba yote mikubwa ili kuhakikisha ufanisi na punguzo la gharama vinazingatiwa. Kampuni ipo tayari kukabiliana na ushindani na changamoto za kiutendaji na kuzingatia taratibu zote za mazingira. Ufanisi Kifedha

Mauzo na rekodi ya uzalishaji wa Kampuni kwa mwaka 2016 hayakuweza kukabiliana na athari ya kupungua kwa bei. TPCC ilifikia Faida ya uendeshaji kwa kiasi cha bilioni 53.8 TZS (27% chini ya mwaka 2015) hasa kutokana na suala la bei na kuharibika kwa mali. Kuna mwelekeo chanya na ufanisi katika kupunguza gharama, suala la usimamizi wa gharama limekua la lazima ili kufidia hali ngumu ya soko. Mwaka 2016 ulikuwa muhimu kwa ajili ya kuimarisha mchakato wetu wa kibiashara na miundombinu ya IT kua ya kisasa. Juhudi hizi zote kwa pamoja zinaleta muonekano mpya kikifika utakaotwezesha kuzikabili changamoto zozote mpya.

Uraia Mwema

Mwaka 2016 TPCC ilihuisia ithibati za ISO 14001 na OHSAS 18,001 kama sehemu ya dhamira yake ya kuendelea kuboresha kulingana na sera endelevu za viwango vya ubora, afya, usalama na mazingira. Miradi endelevu iliendelea kuimarishwa na idadi ya watu waliopokea mafunzo ya ufahamu wa mazingira iliongezeka kulinganishwa na mwaka uliopita. Zaidi ya warsha 25 na mafunzo kuhusiana na ufahamu wa mazingira yalifanyika katika kipindi cha mwaka 2016, Washiriki wakiwa ni pamoja na wafanyakazi wa TPCC, shule za msingi na sekondari, taasisi za elimu ya juu, NGOs, na wengine wengi. Kwa kushirikiana na kikundi cha Roots & Shoots na Taasisi ya Jane Goodall (JGI) Tanzania inaendelea kupeleka elimu mazingira kwa shule za msingi zinazoshiriki. Utunzaji wa vitalu vya miti unaendelea na kwa sasa miti zaidi ya 100,000 imeishaoteshwa na tayari kwa ajili ya kupandwa katika eneo la machimbo na vilevile kwa ajili ya kugawa katika taasisi mbalimbali nchini kote.

Taarifa ya Mkurugenzi Mtendaji

Katika nyanja ya jamii, Kampuni ilitumia zaidi ya shilingi milioni 250 katika elimu, afya na majanga kwa taasisi, mashule na vituo mbalimbali ndani ya nchi. Ushirikiano wa karibu na taasisi za serikali umeendelea kuwepo ambapo katika mwaka 2016 Kampuni ilitoa msaada wa fedha kwa serikali kusaidia kukabiliana na athari zilizotokana tetemeko la ardhi Kagera.

Hitimisho

Kampuni itatumia fursa ya ukuaji wa soko katika kuongeza mauzo yake na itaendelea kuwa kiongozi wa soko katika sekta ya saruji katika Tanzania, licha ya ushindani mkali. Tuna nia kamilifu ya kuboresha utendaji wa mitambo na kupunguza gharama za uzalishaji; hata hivyo ongezeko la ziada la uwezo wa uzalishaji katika sekta ya saruji na shinikizo la bei vitabaki kuwa changamoto kubwa kwa sekta hii. Tutahakikisha kuwa bidhaa zetu mpya na huduma zinakidhi mahitaji ya wateja wetu na kupambana na changamoto za soko. Mabadiliko haya ya kifika yenye kuongeza ufanisi katika uzalishaji, kupunguza gharama na kuboresha taratibu za utendaji zinalenga kuleta matokeo endelevu na kuongeza thamani kwa wanahisa wa Kampuni.



Mr. Alfonso Velez
Managing Director
Twiga Cement



Director's Biography



Mr. Hakan Gurdal, Turkish
(Engineer, Masters Degree in Business Administration)

Studies in mechanical engineering at the Yildiz Technical University in Istanbul and MBA International Management of the University of Istanbul. He joined Canakkale Cimento (today part of the joint venture Akcansa) in 1992. Gurdal is a member of the Managing Board since 2016; in charge of the Africa-Eastern Mediterranean Basin Group area and Purchasing.



Ruth Henry Zaipuna, Tanzanian
(Masters Degree in Business Administration, CPA-PP)

Ruth is the Finance Director at Standard Chartered Bank Tanzania and prior joining Standard Chartered Bank Ruth was working with PricewaterhouseCoopers as Assurance Director. Ruth studied finance at the University of Dar es Salaam and she is registered by the National Board of Accountants and Auditors, in the category of Certified Public Accountant in Public Practice (CPA-PP).



Mr. Alfonso Rodriguez, Spanish
(Masters Degree in Business Administration (MBA) and Masters Degree in Real Estate Development)

Mr. Alfonso Rodriguez was appointed as the Chairman of the Board of Directors of TPCC effective from August 2016. In August 2016, Alfonso was appointed as the General Manager for Central and South-East Africa operations which comprised of Tanzania, Congo DRC, Mozambique and South Africa. Alfonso was the Managing Director of TPCC up to August 2016. Alfonso has vast experience in cement industry and prior to joining HeidelbergCement he worked in cement companies in countries such as United States of America, Spain, China, Senegal, Egypt and Gambia.



**Mr. Alfonso Velez, Spanish
(Phd Economics & Business Organisation and
Masters Degree in Business Administration
(MBA)**

Mr. Alfonso Velez was appointed as the Managing Director of TPCC from August 2016. Alfonso holds a Phd of Economics & Business Organisation from University of Granada, MBA Corporate Finance from the University of Dallas. Alfonso has vast experience in cement industry and related companies in Europe before joining HeidelbergCement Group in 2013 as the Managing Director of CIMBENIN.

**Mr. Oswald Martin Urassa, Tanzanian
(MBA Finance from the University of Strathclyde
Business School, FCCA)**

He is a CFO of Tanzania Mortgage Refinance Co. LTD. Urassa studied finance at the University of Dar es Salaam and he is registered by the National Board of Accountants and Auditors in the category of Certified Public Accountant in Public Practice. Urassa has been a member of the board to various organisations including Government Employees Provident Fund (GEPF), National Board of Accountants and Auditors (NBAA), Tanzania Association of Accountants (TAA) and Evangelical Lutheran Church of Tanzania, Eastern and Coastal Diocese (ELCT-ECD) Investment Trust Board (ITB).

**Mr. Gary Whitehead, British
(FCCA)**

Mr. Gary Whitehead worked with the Hanson Group for 15 years, joining the HeidelbergCement Group in 2007 when Hanson was acquired by HeidelbergCement AG. Gary worked within the United Kingdom business in various senior Finance roles before being appointed the Chief Finance Officer of the Turkish JV, Akcansa in 2010. He joined HeidelbergCement Africa in November 2012 as the CFO for HC Africa Group of Companies. Gary was appointed to the Board of TPCC in December 2012.



Sifa za Wakurugenzi

Bw. Alfonso Rodriguez, Mhispania
(Masters Degree in Business Administration (MBA) and
Masters Degree in Real Estate Development)

Alfonso Rodriguez amekuwa Mwenyekiti wa Bodi ya Wakurugenzi wa TPCC kuanzia mwezi Agosti 2016. Mwezi Agosti 2016, Alfonso Rodriguez aliteuliwa kama Meneja Mkuu wa kanda ya Kati na Kusini Mashariki ya Afrika, ambayo hujumuisha nchi za Tanzania, Congo DRC, Msumbiji and Afrika Kusini. Kabla ya uteuzi huu, Alfonso alikuwa Mkurugenzi Mkuu wa TPCC. Alfonso ana uzoefu wa muda mrefu katika sekta ya saruji na amewahi kufanya kazi katika nchi za Marekani, Hispania, China, Senegal, Misri na Gambia.

Bw. Oswald Martin Urassa, Mtanzania
(MBA Finance from the University of Strathclyde Business School, FCCA)

Oswald Urassa ni Mtendaji Mkuu wa Idara ya Fedha ya kampuni ya Tanzania Mortgage Refinance. Urassa amesomea masuala ya fedha katika Chuo Kikuu cha Dar es Salaam na pia amesajiliwa na kuthibitishwa kama mhasibu (CPA-PP) na Bodi ya Taifa ya Wahasibu na Wakaguzi (NBAA). Urassa ni mwenyekiti au mjumbe wa bodi za mashirika mbalimbali kama vile Shirika la Hifadhi ya Jamii la Watumishi wa Serikalini (GEPF), Bodi ya Taifa ya Wahasibu na Wakaguzi (NBAA), Chama cha Wahasibu (TAA) na Shirika la uwekezaji lililo chini ya Kanisa la Kilutheri Tanzania.

Bi. Ruth Henry Zaipuna, Mtanzania
(Masters Degree in Business Administration, CPA-PP)

Ruth ni Mkurugenzi wa Fedha wa benki ya Standard Chartered Tanzania. Kabla ya kujiunga na Standard Chartered Tanzania, Ruth aliwahi kuwa Mkurugenzi katika idara ya ukaguzi katika kampuni ya PricewaterhouseCoopers. Ruth amesomea shahada ya pili ya biashara (MBA) katika Chuo Kikuu cha Dar es Salaam. Pia, Ruth amesajiliwa na kuthibitishwa kama mhasibu (CPA-PP) na Bodi ya Taifa ya Wahasibu na Wakaguzi (NBAA)

Bw. Gary Whitehead, Mwingereza
(FCCA)

Gary Whitehead alifanya kazi kwa miaka 15 na kundi la makampuni la Hanson na alijiunga na kundi la makampuni la HeidelbergCement kufuatia kundi la makampuni ya Hanson kununuliwa na HeidelbergCement mwaka 2007. Gary alishika nafasi mbalimbali ya juu katika idara ya fedha hadi alipoteuliwa kuwa Afisa Fedha Mkuu wa Turkish JV, Akcansa mwaka 2010. Gary alijiunga na HeidelbergCement Afrika mnamo November 2012 akiwa Afisa Fedha Mkuu wa kundi la makampuni la HC Africa. Aliteuliwa kuwa mjumbe wa Bodi ya Wakurugenzi wa TPCC mwezi Desemba 2012.

Bw. Hakan Gurdal, Mturuki
(Engineer, Masters Degree in Business Administration)

Hakan Gurdal amesomea shahada ya uandisi katika Chuo Kikuu cha Yildiz kilichopo Istanbul, pia amesomea shahada ya pili ya biashara (MBA) katika Chuo Kikuu cha Istanbul. Gurdal alijiunga na Canakkale Cimento mwaka 1992 na amekuwa mjumbe wa Bodi ya Uongozi tangu mwaka 2016 akisimamia kanda ya Afrika-Mediterrania Mashariki.

Bw. Alfonso Velez, Mhispania
(Phd Economics & Business Organisation and
Masters Degree in Business Administration (MBA)

Alfonso Velez aliteuliwa kuwa Mkurugenzi Mtendaji wa Kampuni (TPCC) mwezi Agosti 2016. Alfonso Velez amesomea shahada uzamifu katika uchumi katika Chuo Kikuu cha Granada, Shahada ya pili ya masuala ya fedha (MBA) katika Chuo Kikuu cha Dallas. Alfonso ana uzoefu wa miaka mingi katika sekta ya saruji na amefanya kazi katika bara la Ulaya kabla ya kujiunga katikundi la makampuni ya HeidelbergCement mwaka 2013, kama Mkurugenzi Mtendaji wa kampuni ya CIMBENIN.



FAMILIA YA
TWIGA



Key Management Personnel

1. Simon Delens
2. Jesse Shuma
3. Luis Llimos
4. Tom Dijkstra
5. Gregory Ndimbo
6. Peter Mohamed
7. Jerome Mwakabaga
8. Alfonso Velez
9. Richard Magoda





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Directors' Report

1. PRINCIPAL ACTIVITIES

The principal activity during the year under review was manufacturing and selling of cement.

2. COMPANY'S VISION

To develop a strong identity, be the market leader and the first choice amongst cement consumers in Tanzania.

3. COMPANY'S MISSION

To satisfy customers by providing them with a high quality product and service at an affordable price.

4. QUALITY STATEMENT

We are successful only when our customers are successful. The Company contributes to customers' success by supplying them with the products they want and need. We strive to achieve customer satisfaction by ensuring that the quality of our products are within the required standards and services are consistent and are continuously improved to meet our customers' expectations. It is the declared goal of every employee to make the Company and Twiga Cement recognized for quality. This position allows us to achieve market leadership.

5. DIRECTORS

The Directors of the Company at the date of this report all of whom have served throughout the year, except as otherwise indicated, were:

Name	Title	Nationality	Age	Qualification	Date appointed/(resigned)
Mr. Jean-Marc Junon	Chairman	French	60	BSc (Civil Eng)	(August 2016)
Mr. Gary Whitehead	Director	British	46	FCCA	
Mr. Alfonso Rodriguez	Chairman	Spanish	47	MBA	August 2016
Mr. Alfonso Velez	Managing Director	Spanish	48	PhD – Economics & Business Organization, MBA – Corporate Finance and BA - Economics	August 2016
Mr. George Fumbuka	Director	Tanzanian	63	MBA, FCCA	(May 2016)
Mr. Daniel Gauthier	Director	Belgian	59	BSc (Mining), MBA (Arne- Jørg Selen – Alternate to Daniel Gauthier)	(August 2016)
Mr. Joseph Rugumyamheto	Director	Tanzanian	70	BA (Econs & Mgt), MA	(May 2016)
Mr. Hakan Gurdal	Director	Turkish	48	Engineer, MBA	August 2016
Mr. Oswald Martin Urassa	Director	Tanzanian	51	B.com, MBA,FCPA	May 2016
Ms. Ruth Henry Zaipuna	Director	Tanzanian	43	B.com, MBA,CPA (T)	May 2016

With the exception of Alfonso Velez, who is the Managing Director all current Directors are non-executive.

6. AUDIT COMMITTEES

The Audit Committee members who served during the year were:

Name	Nationality	Qualification	Date appointed/ (resigned)
Mr. Gary Whitehead	British	FCCA	
Mr. George Fumbuka	Tanzanian	MBA, FCCA	(May 2016)
Mr. Arne- Jørg Selen	Norwegian	MBA, LLB	(May 2016)
Mr. Dominic Michel	German	Bachelor BA	May 2016
Ms. Ruth Henry Zaipuna	Tanzanian	B.com, MBA, CPA (T)	May 2016

7. DIRECTORS' INTEREST IN THE SHARES OF THE COMPANY

	Number of shares	
	2016	2015
Mr. Joseph Rugumyamheto	51,000	51,000
Mr. Oswald Martin Urassa	100	100

8. DIRECTORS' REMUNERATION

The Company paid a total of TZS 104.5 million (2015: TZS 94.6million) for services rendered by Directors of the Company and members of the Audit Committee.

9. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Company during the year ended 31 December 2016 were:

Name	Title
Alfonso Rodriguez	Managing Director (up to August 2016)
Alfonso Velez	Managing Director (starting August 2016)
Luis Llimos	Finance Director
Jesse Shuma	Director of Human Resources
Simon Delens	Sales and Marketing Director
Tom Dijkstra	Plant Manager
Peter Mohamed	Procurement Manager
Richard Magoda	Environmental Manager
Jerome Mwakabaga	Health & Safety Manager
Gregory Ndimbo	Internal Audit & Quality Assurance Manager

10. REVIEW OF THE BUSINESS

The Company recorded an increase in sales volume of 0.8% from 2015 to 2016. The turnover decreased from TZS 287.7 billion in 2015 to TZS 277.2 billion in 2016, a decrease of 4%. The new competitive environment with the entry of new competitors in the Market and the subsequent increase in Total Market Capacity provoked price reduction of cement and thus a decrease in Turnover. Volumes remained stable compared to 2015 despite increasing competition.

The Company made a total operating profit of TZS 53.8 billion compared to TZS 73.7 billion in 2015, a decrease of 27%. Profit before taxation decreased from TZS 80.8 billion in 2015 to TZS 57.4 billion in 2016. The decrease in operating profit was a result of price reductions to final products sold and impairment charge amounting to TZS 6.7 billion.

After the effect of income tax of TZS 17.6 billion (2015: TZS 24.6billion), the net profit for the year was TZS 39.8billion (2015: TZS 56.2 billion). Total comprehensive income amounted to TZS 38.7 billion (2015: TZS 56.2billion).The operating results are shown on page 48 of the financial statements.



Directors' Report

11. FUTURE PROSPECTS OF THE COMPANY

The cement demand in Tanzania and in the East-African region has been growing steadily over the last years. Having invested in expanded capacity together with rehabilitation of the old clinker lines as well as on strategic sources of raw materials and energy supply, the Directors believe the Company is well placed to meet this growing demand.

Gas project

The Company is exploring ways of ensuring reliable power supply to run its operations smoothly. Arrangements are underway with third party companies to build and operate under a Power Purchase Agreement (PPA) a gas plant at the Company. Once completed, the Company will be assured of reliable supply of power to meet the operational demands. The current need of the Company is rated at 32MW and the gas plant would then come as an extra source of energy to compensate the extra requirement and the current fluctuation in power supply. The final decision and structure of the project will be taken in the first quarter of financial year 2017.

12. SOLVENCY EVALUATION

The Directors have reviewed the current financial position of the Company and the existing short-term borrowings. On the basis of this review together with the current business plan, the Directors are satisfied that the Company is a solvent going concern within the meaning ascribed by the Companies Act, 2002 of the Laws of Tanzania and International Financial Reporting Standards.

13. ENVIRONMENTAL CONTROL PROGRAMME

Quarry Rehabilitation

Quarrying activities often entail significant local environmental impacts as the soil is always removed and the topography altered, or local ecosystems and watersheds are impacted. During or after extraction, opportunities arise to rehabilitate the area and ensure the biodiversity is maintained or even enhanced. Rehabilitation activities depend on the area's bio-geographic conditions, local partners and expertise, and company motivation.

In line with the above and the Company's Environmental Policy in which there is a commitment to re-naturalise the quarry, the Company is demonstrating its commitment to rehabilitation. Approximately 12.5 hectares in the quarry were

planted with trees by 31 December 2016. On the other hand at 31 December 2016, a total of 195,780 seedlings were already raised in the quarry. The total number of trees planted in the quarry by the end of December 2016 was 4,758 with a survival rate of 81.30%. The total number of trees donated to various stakeholders by the end of December 2016 was 30,605 trees.

The Company also understands the responsibility to the local habitats and communities, and the opportunity to maximize the potential positive impacts of quarrying activities. Since the beginning of the project, the Company has conducted sixteen official awareness raising and capacity building events in the Company quarry for visitors especially youth groups, students and pupils with a belief that through Environmental Education students can be agents of change as well as future decision makers on sustainable use of biodiversity.

ISO 14001:2004 (Environmental Management System)

The Company continues to maintain the ISO 14001 certification. The Company continues to strive to improve its Environmental Management Systems by keeping abreast with Environmental trends, and implementing its objective and targets. Online dust measurement instruments are now working and results will be compared to emission measurements results to be performed in April 2017.

Emissions Monitoring

Emissions monitoring is planned to take place in April 2017, the last measurements were done in December 2016. Management has implemented the emission monitoring program to ensure full compliance with Tanzania National Standards and International Finance Corporation (IFC)/World Bank standards for dust emissions.

14. HEALTH AND SAFETY

Occupational health and safety continues to be a top priority. Besides the continued improvement of technical and organizational safety standards within the Company, it has intensified efforts in 2016 to reinforce the awareness of all employees, contractors and transport companies towards a safety culture.

The Company implements an Occupational Health and Safety Management System (OHSMS) as part of the risk management strategy and has Occupational Health and Safety Management System (OHSAS 18001:2007) certification. Work management systems, such as those in accordance with the

internationally accepted OHSAS 18001:2007 standard, require a structured approach with planning, clear work regulations, responsibilities, and controls to ensure an ongoing improvement process.

Management will continue to place emphasis on health and safety of employees and third party service providers with emphasis on zero lost time injury and zero fatality.

15. MAJOR EVENTS

- a. A new product Twiga Jenga (grade 22.5) was introduced in 2016 and expected to be launched in January 2017.
- b. 2016 being the stabilisation of the Interface of new Accounting System (Infor Sun System) with an upgraded Enterprise Assets Management System (EAM) during the last quarter of 2015. The Company operates in a fully integrated system.
- c. After the Company in October 2006 won the case brought against 933 trespassers occupying the Company's land, the appeal process was concluded in 2010 in favour of the Company. The Company in collaboration with the Government is working towards a solution of the case.
- d. In 2016, the company completed installing the state of art training facility equipped with the cement mill mode and car driving simulator to enhance cement production process. The training facility will be used to train the Company staff, contractors and drivers.

16. EMPLOYEE WELFARE

a. Relationship between management and employees

The relationship between employees and management for the year ended 31 December 2016 continued to be good. There were no unresolved complaints received by management from employees during the year. A healthy relationship continues to exist between management and the Trade Union. A voluntary agreement entered into between the Tanzania Union of Industrial and Commercial Workers (TUICO) and the Company governs the relationship between management and employees.

b. Staff strength and gender parity

As at 31 December 2016, the Company had 280 employees, out of which 28 were female and 252 were male (2015: Total 313; female 32 and male 281).

c. Medical facilities

The Company fully meets the cost of medical consultation and treatment for all employees and their immediate families.

d. Industrial safety

The Company has a strong Health and Safety Department which ensures that a strong culture of safety prevails. The Company has facilities and equipment in place, which meet the requirements contained in the Occupational Health and Safety Act, 2003 and other relevant legislation concerning industrial safety (OHSAS 18001 Certification).

e. Training

The Company consistently invests in personnel development including employing and training qualified talent. Technical and managerial skills are essential in ensuring sound operational management and maintenance of technology in the plant.

During the year, the Company focused on occupational health and safety, Group compliance policy, financial management, quality management, and leadership development.

The Company collaborated with Vocational Education and Training Authority (VETA) in building up a curriculum for the pilot training of Electrical personnel. Some employees of the Company have been enrolled in this two-year programme to enhance their skills.

f. Employee benefits

Salary levels are adjusted annually within the Company's means after negotiations between TUICO and management. The 2016 salary increments were agreed in April 2016 (the 2015 salary increment was agreed in February 2015). During the year under review, all employees under contract had income levels of TZS 7.8mn per annum or more.

Some employees are members of Parastatal Pension Fund (PPF) and others are members of National Social Security Fund (NSSF). The



Directors' Report

Company contributes 15% of basic salary of each employee to PPF and 10% of basic salary of each employee to NSSF on behalf of all employees. Retirement benefits payable under the Statutory Pension Scheme are supplemented by an endowment scheme, for which the Company contributes 10% of the employee's basic salary.

g. Equal opportunities and Disabled persons

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

It is also a policy of the Company to give equal opportunities to disabled persons for vacancies that do not impair their ability to discharge their duties.

17. CORPORATE GOVERNANCE

a. Code of Corporate Practice and Conduct

The Company is committed to the principles of effective corporate governance and the Board is of the opinion that the Company complies with principles of good Corporate Governance as required by the Stock Exchange Regulations.

b. The Board of Directors

The Board currently comprises six directors; six Non-Executive Directors and the Managing Director. The roles of Chairman and Managing Director are separate. The Board is responsible to shareholders for the overall management of the Company, for setting strategy and policies, monitoring of operational performance, risk management processes and setting of authority levels. The Board met 3 times in 2016 (2015: 3 times).

c. The Audit Committee

The Board is assisted in the discharge of its responsibilities related to financial reporting, compliance, risk management, accounting and information systems management by the Audit Committee. The Audit Committee is chaired by one of the Non-Executive Directors. Meetings are held throughout the year and are attended by senior management and the Company's auditors where necessary. The Audit Committee met 3 times in 2016 (2015: 3 times).

d. Performance evaluation and reward

The Company has implemented an evaluation and bonus system for its managers and employees. Rewards in the form of yearly bonuses are linked to the Company's financial performance as well as individually set performance targets.

e. Risk management and internal control

The Company's organisation includes an internal audit function. The Internal Auditor is responsible for establishing and implementing a yearly internal audit plan whereby compliance with policies and procedures, the adequacy of internal controls and risk management, and the potential for improvements are assessed. In addition, the Company benefits from regular reviews by the internal audit team of the main shareholder.

f. Business ethics and organizational integrity

The issues of good governance and ethical conduct are critical to counterparty and investor perceptions of a listed Company. The Company strives to ensure that its integrity and professional conduct is beyond reproach at all times. The Company has developed ethical guidelines for its employees in order to limit the cost of unethical behaviour to its stakeholders. The Company has adopted the main shareholder's business code of conducts and anti-corruption guidelines. Hence every employee has signed a declaration to comply with these rules.

g. Management reporting, financial reporting and auditing

The Company has established management reporting procedures which include the preparation of annual strategic plans and budgets. Actual results are reported monthly against approved budgets and forecasts, and compared to the prior year. Financial reporting is done according to International Financial Reporting Standards (IFRS) and published twice yearly in accordance with the requirements of the Dar es Salaam Stock Exchange. The accounts for each financial year are audited by the Company's external auditors.

18. RISK MANAGEMENT

The Board has the final responsibility for the risk management and internal control systems of the Company. The Board has tasked the management to ensure adequate internal financial and operational control systems are developed, maintained and functional on an on-going basis in order to provide reasonable assurance on the effectiveness and efficiency of operations.

This will ensure that:

- The Company's assets are safeguarded;
- Compliance with the applicable laws and regulations;
- Reliability of the accounting records;
- Business sustainability; and
- Responsible behaviour towards all stakeholders.

The Company utilises the Company's financial policies and procedures, Group and Company internal audits, Group compliance audits, Group environment and safety audits, Code of business conduct, anti-corruption guidelines, general macro and micro-economic data, and market surveys to put in place the process for assessing and supervising the internal control and risk management. This position has been strengthened by the Audit Committee which reviews the effectiveness of the risk management system on a regular basis. Risks that may have significant impact on the Company's assets and financial position for the year ended 31 December 2016 are classified as operational risks, market risks and financial risks:

Operational risk

Energy is key in the operational activities of the Company and thus, reliable power and prices represent a considerable risk to the Company. The Company depends heavily on power supply from Tanzania Electric Supply Company Limited (TANESCO). Over the years, the power supply has been erratic and impacted on the Company's capacity to meet its operational objectives. Increases in energy prices significantly affect the cost of production. To ensure reliability and quality of power supply, the Company is planning to develop alternative sources of energy.

The Company limestone quarry is the beginning of cement manufacturing process. Limestone with proportionate mix of red soil is converted into raw meal. Finely blended raw meal is then introduced into kilns to produce clinker. Cement grinding is the final stage of the cement manufacturing process. In cement mills, the clinker is grounded into cement, with the addition of gypsum and a filler material (depending on market requirements), such as limestone. The availability of limestone quarries is therefore very important for sustainability and the Company ensures it has adequate limestone deposits.

Building materials are subject to a strict standardisation process. Supply of sub-standard products or products that do not meet customers' requirements may adversely impact the Company's sales volume, Company's reputation, customer relationship and may expose the company to claims and litigations.

The Company ensures compliance with the standards at its laboratory and standard certification by the Tanzania Bureau of Standards (TBS) (ISO 9001 Certification).

Market risk

New Cement factories are being erected and some are close to completion. Competition will therefore intensify. The Company with its cement quality, strong brand, skilled employees and competent management is better placed to meet the competition.

Financial risks

The significant financial risk is currency risk. The Company's functional currency (TZS) is exposed to fluctuation in the international currency market. This exposes the Company to foreign currency exchange risks. Management is constantly monitoring this risk and taking appropriate decisions so that its impact is minimised. More details on foreign currency risk are included in Note 39 to the financial statements.

19. KEY STRENGTHS AND RESOURCES

In pursuit of our objectives, the key strengths and resources (both intangible and tangible) available to the Company are:

Competent Management and Personnel

The most important singular resource of the Company is its human capital. The Company's operations are managed by competent and qualified management team who drive the day to day activities to achieve the Company's objectives. The management team is supported by committed and highly skilled employees who are well experienced in cement technology and industry. The Company employs qualified and competent personnel and also invests in their training.

Strong Brand and Quality Products

Twiga Cement is a well-known cement brand in the market and synonymous of high quality. The brand and quality of the Company products give to the Company competitive advantage in the market. To meet the quality demand of the market, the Company produces four cement products i.e., OPC 42.5N (for the purpose of bulk delivery and is used for the professional market in construction of bridges and high rise buildings), Twiga Plus, Twiga Extra and Twiga Jenga.



Directors' Report

Strong Distribution Network

With well-defined, diversified distribution network and the fleet of trucks owned by the distributors of the Company, our products can reach remote parts of the country. The Company also exports its products to various countries in the Central and East Africa Sub-Region.

Market Position

Twiga Cement is the preferred brand in the market and thus places the Company as the market leader. The Company's market leadership is reinforced by the close proximity to the main Dar es Salaam market.

Technical Support

HeidelbergCement AG, which is the ultimate Holding Company, is the global market leader in aggregates and a prominent player in the fields of cement, concrete and other related downstream activities, making it one of the world's largest manufacturers of building materials. The Company benefits from worldwide technical support in cement business.

Technology and Machinery

The Company will continue to invest in modern technology; this includes the recent revamping of CM3 which occurred in 2016 and the installation of state of art training facility equipped with the cement mill mode and car driving simulator to enhance cement production process.

High Quality Limestone Reserves

Limestone is the main material in cement production; the Company has adequate reserves for the cement production capacity.

20. POLITICAL AND CHARITABLE DONATIONS

During the year under review, the Company made donations and other contributions of a charitable nature valued at about TZS 69.7million (2015: TZS 37million). There were no political donations. Besides the donations, the Company has also been involved in Corporate Social Responsibility, targeting women, health care, education and children. The total contributions were TZS 69.3 million (2015: TZS 302million).

21. DIVIDENDS

The Directors recommend payment of TZS 48.58 billion (TZS 270 per share) to shareholders as final dividend for 2016. The proposed dividend includes first interim dividend of TZS 21.59 billion (TZS 120 per share) paid in October 2016 and second interim dividend of TZS 16.19 billion (TZS 90 per share) paid in February 2017 (The total dividend for 2015 was TZS 55.06 billion (TZS 306 per share) including an interim dividend of TZS 37.06 billion (TZS 206 per share) paid in October 2015 and Feb 2016). In making this proposal the Directors have taken into account the financial situation of the Company and its future needs for implementing replacement and improvement projects. The recommended dividend for 2016 is a decrease of 11% compared to the previous year's amount. Total dividend represents 121% of the net profit after tax for the year.

22. SUBSEQUENT EVENTS

There are no subsequent events that have occurred, which could materially affect the financial statements, and should be disclosed or adjusted for in the financial statements.

23. RELATED PARTY TRANSACTIONS

The ultimate Parent Company of the Company is HeidelbergCement AG, a Company listed on the Frankfurt Stock Exchange in the Federal Republic of Germany. HeidelbergCement AG owns indirectly 93.94% of Scancem International DA of Norway, which in turn owns 69.25% of the Company shares.

The Company imports raw materials, spare parts and consumables at arms-length basis from Scancem International DA. Details of related party transactions are shown in Note 29 of the financial statements.

24. SHARE CAPITAL

The total issued share capital of the Company amounts to 179,923,100 ordinary shares (2015: 179,923,100 ordinary shares). There is no change in the issued share capital.

The shareholding of the Company is as stated below:

Name	2016 % shareholding	2015 % shareholding
Scancem International DA	69.25	69.25
General Public	30.37	30.37
Wazo Hill Saving and Credit Cooperative Society	0.38	0.38
	100.00	100.00

25. ACCOUNTING POLICIES

The financial statements are prepared on the underlying assumptions of a going concern. The accounting policies which are laid out in Note 4 to the financial statements are subject to annual review to ensure continuing compliance with International Financial Reporting Standards.

26. SHAREHOLDERS OF THE COMPANY

The total number of shareholders as at 31 December 2016 was 9,750 shareholders (2015: 9,440 shareholders). The following were the ten largest shareholders of the Company:

Name	Nationality	2016 % of shareholding	2015 % of shareholding
Scancem International DA	Norwegian	69.25	69.25
PPF Pensions Fund	Tanzanian	5.42	5.42
Standard Chartered Bank Uganda	Ugandan	4.02	0
Public Service Pension Fund	Tanzanian	2.75	2.69
National Social Security Fund	Tanzanian	1.24	1.24
Murtaza Basheer Nasser	Tanzanian	0.90	0.90
Umoja Unit Trust Scheme	Tanzanian	0.76	0.76
Sayed H. Kadri/Basharat Kadro/Mehboob/Kadri/Khalid/Muzammil Kadri	Tanzanian	0.57	0.57
GEPF Retirement Benefit Fund	Tanzanian	0.56	0.56
Said Salim Awadh Bakhresa	Tanzanian	0.51	0.51

27. STOCK EXCHANGE INFORMATION

On 29 September 2006, the Company went public and its shares started to trade at the Dar es Salaam Stock Exchange. During the year 2016 shares of the Company were continuously traded in the secondary market through auctions organised by Dar es Salaam Stock Exchange (DSE). In the year 2016 the performance of the Company's shares in the secondary market was as follows: Market capitalisation as at 31 December 2016 was TZS 412.02 billion (2015: TZS 539.77 billion). The share price prevailing as at 31 December 2016 was TZS 2,290 per share, below from TZS 3,000 one year earlier (IPO price was TZS 435 per share).

28. AUDITORS

Ernst & Young were the Company's auditors for the year 2016. They have expressed their willingness to continue as auditors and are eligible for reappointment. A resolution proposing the re-appointment of Ernst & Young as auditors of the Company for the year 2017 will be put to the Annual General Meeting.

By order of the Board

Approved by the Board of Directors on 12 April 2017 and signed on its behalf by:



Chairman



Director

Together
we make
Our **FAMILY**





FAMILY DAY

TWIGA **FAMILY**
Tanzania Portland Cement Company Limited
2016 Annual Report



Taarifa ya Wakurugenzi

Wakurugenzi wanayo furaha kuwasilisha taarifa yao pamoja na hesabu za kampuni ya Tanzania Portland Cement Company Limited zilizokaguliwa kwa mwaka ulioishia tarehe 31 Desemba 2016.

1. SHUGHULI KUU

Shughuli kuu ya kampuni ni uzalishaji na uuzaji wa saruji.

2. MAONO YA KAMPUNI

Kujenga chapa imara, kuwa kinara katika soko na kuwa chaguo la kwanza kwa watumiaji wa saruji Tanzania

3. MWONGOZO WA KAMPUNI

Kuwaridhisha wateja kwa kuwapa bidhaa na huduma zenye ubora wa kiwango cha juu kwa gharama nafuu.

4. SERA YA UBORA

Tunafanikiwa pale wateja wetu wanapofanikiwa. Kampuni ya saruji Tanzania (TPCC) inachangia mafanikio kwa kuwapa wateja wake bidhaa wanazaohitaji. Tunajitahidi kufikia matarajio ya wateja wetu kwa kuhakikisha huduma na ubora wa bidhaa zetu unakidhi viwango vinavyokubalika na unakuwa endelevu. Ni lengo kuu la kila mfanyakazi kuifanya TPCC na chapa 'twiga cement' maarufu kwa saruji bora. Fursa hii inaturuhusu kufikia uongozi katika soko.

5. WAKURUGENZI

Wajumbe wa Bodi ya wakurugenzi ambao wamekuwa wakurugenzi kwa kipindi chote cha mwaka 2016 isipokuwa inapoonyeshwa vinginevyo ni hawa:

Jina	Wadhifa	Utaifa	Umri	Sifa	Tarehe kuteuliwa / (Alijiuzulu)
Bw. Jean-Marc Junon	Mwenyekiti	Mfaransa	60	BSc (Civil Eng)	(Agosti 2016)
Bw. Gary Whitehead	Mkurugenzi	Mwingireza	46	FCCA	
Bw. Alfonso Rodriguez	Mwenyekiti	Mhispania	47	MBA	Agosti 2016
Bw. Alfonso Velez	Mkurugenzi mtendaji	Mhispania	48	PhD – Economics & Business Organization, MBA – Corporate Finance and BA - Economics	Agosti 2016
Bw. George Fumbuka	Mkurugenzi	Mtanzania	63	MBA, FCCA	(Mei 2016)
Bw. Daniel Gauthier	Mkurugenzi	Mbeligiji	59	BSc (Mining), MBA (Arne- Jørg Selen – Alternate to Daniel Gauthier)	Agosti 2016
Bw. Joseph Rugumyamheto	Mkurugenzi	Mtanzania	70	BA (Econs & Mgt), MA	(Mei 2016)
Bw. Hakan Gurdal	Mkurugenzi	Mturuki	48	Engineer, MBA	Agosti 2016
Bw. Oswald Martin Urassa	Mkurugenzi	Mtanzania	51	B.com, MBA, FCPA	Mei 2016
Bi. Ruth Henry Zaipuna	Mkurugenzi	Mtanzania	43	B.com, MBA, CPA (T)	Mei 2016

Wajumbe wote wa Bodi siyo watendaji katika kampuni, isipokuwa Bw. Alfonso Velez, ambaye ni Mkurugenzi Mtendaji.

6. KAMATI YA UKAGUZI

Wajumbe wa kamati ya ukaguzi waliotumikia kampuni katika mwaka huu wa fedha walikuwa

Jina	Utaifa	Sifa	Tarehe kuteuliwa / (Alijiuzulu)
Bw. Gary Whitehead	Mwingereza	FCCA	
Bw. George Fumbuka	Mtanzania	MBA, FCCA	(Mei 2016)
Bw. Arne- Jørg Selen	Mnorwei	MBA, LLB	(Mei 2016)
Bw .Dominic Michel	Mjerumani	Bachelor BA	Mei 2016
Bi. Ruth Henry Zaipuna	Mtanzania	B.com, MBA,CPA (T)	Mei 2016

7. WAKURUGENZI WANAHISA

	Idadi ya hisa	
	2016	2015
Bw. Joseph Rugumyamheto	51,000	51,000
Bw. Oswald Martin Urassa	100	100

8. MALIPO YA WAKURUGENZI

Kampuni ililipa jumla ya TZS 104.5 milioni (2015: TZS 94.6 milioni) kwa huduma zilizotolewa na wakurugenzi na wajumbe wa kamati ya ukaguzi

9. UONGOZI WA KAMPUNI

Safu ya uongozi wa kampuni kwa mwaka ulioishia 31 disemba 2016 ilikua kama ifuatavyo

Jina	Cheo
Alfonso Rodriguez	Mkurugenzi mtendaji (mpaka Agosti 2016)
Alfonso Velez	Mkurugenzi mtendaji (kuanzia Agosti 2016)
Luis Llimos	Mkurugenzi Fedha
Jesse Shuma	Mkurugenzi Rasilimali watu
Simon Delens	Mkurugenzi Mauzo na Masoko
Tom Dijkstra	Meneja Mitambo
Peter Mohamed	Meneja Manunuzi
Richard Magoda	Meneja mazingira
Jerome Mwakabaga	Meneja Afya na Usalama
Gregory Ndimbo	Meneja Ukaguzi wa ndani na Uhakiki wa Ubora.

10. TATHMINI YA BIASHARA

Usambazaji wa saruji uliongezeka kwa 0.8% ikilinganishwa na mwaka 2015. Mauzo yalipungua kutoka TZS 287.7 billioni mwaka 2015 hadi kufikia TZS 277.2 billioni mwaka 2016, hii ikiwa ni pungufu ya 4%. Ushindani katika soko na ongezeko la viwanda vya saruji vilisababisha anguko la bei ya saruji na kupungua kwa mapato yatokanayo na mauzo ya saruji. Pamoja na ongezeko kubwa la ushindani katika soko, usambazaji wa saruji haukuteteleka.

Kampuni ilipata faida ya uendeshaji ya TZS 53.8 bilioni ikilinganishwa na TZS 73.7 bilioni mwaka 2015, ikiwa ni punguzo la asilimia ishirini na saba (27%). Faida kabla ya kodi ilipungua kutoka TZS 80.8 bilion mwaka 2015 hadi kufikia TZS 57.4 bilioni mwaka 2016. Hali hii ilisababishwa na punguzo la bei ya saruji na uchakavu wa mitambo wa TZS 6.7 bilioni.

Baada ya kukokotoa kodi kiasi cha TZS 17.6 bilioni (2015: TZS 24.6bilioni), faida iliyobaki ilikuwa TZS 39.8bilioni (2015: TZS 56.2 bilioni). Jumla kuu ya mapato ilifikia TZS 38.7 billion (2015: TZS 56.2billion).Hali halisi ya mwenendo wa kibiashara unaoneshwa katika ukurasa wa 48 wa Taarifa ya Mwaka.



Taarifa ya Wakurugenzi

11. MATARAJIO YA KAMPUNI KWA SIKU ZIJAZO

Mahitaji ya saruji nchini na eneo lote la Afrika Mashariki yamekuwa yakiongezeka kwa miaka ya hivi karibuni. Baada ya kuwekeza kwenye upanuzi wa uzalishaji, ukarabati wa matanuru ya zamani pamoja na upatikanaji mzuri wa malighafi na nishati, wakurugenzi wanaamini kwamba Kampuni hiko katika nafasi nzuri ya kukidhi mahitaji hayo yanayoongezeka.

Mradi wa Gesi

Kampuni inatathmini uwezekano wa kuzalisha umeme wa uhakika ambao utapelelekea Kampuni kuendesha shughuli zake kwa ufanisi zaidi. Kampuni inafanya mazungumzo na makampuni mengine kujenga na kuendesha mtambo wa kuzalisha nishati ya umeme kiwandani (TPCC) chini ya makubaliano ya Ununuzi wa Nishati (PPA). Mradi huu utakapokamilika Kampuni itakiwa na uhakika w nishati ya umeme, kuweza kukidhi mahitaji ya uzalishaji. Mahitaji ya sasa ya nishati ya umeme yanakadiriwa kufikia 32MW, hivyo mradi wa gesi utawezesha kukidhi mahitaji ya ziada ya nishati ya umeme na kutatua tatizo la umeme. Maamuzi ya mwisho wa muundo wa mradi yatakamiliwa mwaka 2017.

12. UWEZO WA KULIPA

Wakurugenzi wamefanya tathmini ya kina juu ya hali ya kifedha ya Kampuni ikiwa ni pamoja na madeni ya muda mrefu na muda mfupi. Kutokana na tathmini hii na kwa kuzingatia mpango wa biashara uliopo, Wakurugenzi wameridhika kwamba Kampuni ina uwezo wa kuendesha shughuli zake bila matatizo yoyote kulingana na sheria ya Makampuni ya mwaka 2002 na kanuni za kimataifa za uhasibu (IFRS)

13. MPANGO WA UDHIBITI WA MAZINGIRA

Uboreshaji wa Machimbo

Shughuli za uchimbaji zinaweza kuwa na athari kwenye mazingira ikizingatia udongo hutolewa na muonekano wa ardhi unabadilika au vyanzo vya maji vinaweza kuharibiwa. Wakati au baada ya kuchimba, uboreshaji wa mandhari ya ardhi iliyochimbwa hufanyika na kuhakikisha maisha ya viumbe hai yanatunzwa na kuimarishwa. Uboreshaji wa mazingira unategemea sana hali ya viumbe hai, ushirikiano na watu mbalimbali, wataalamu na motisha ya Kampuni

Sambamba na hapo juu, sera ya mazingira ya Kampuni inatia mkazo zaidi katika kutunza asili ya machimbo, TPCC inaonyesha dhamira yake katika kuboresha mazingira ya machimbo. Trakribani hekta 12.5 za machimbo zilipandwa miti hadi kufikia 31 Desemba 2016. Kwa upande mwingine, hadi kufikia 31 Desemba 2016 jumla ya miche 195,780 (2015: 183,459) ilikuwa imeshaoteshwa kwenye vitalu. Jumla ya miti 4,758 imekwisha pandwa kwenye machimbo yenye uwezekano wa kuishi kwa 81.30%. Mwaka ulioishia Desemba 2016, miche 30,605 (2015: 39,794) iligawiwa kwa wadau mbalimbali wa Kampuni.

Kampuni inaelewa wajibu wake kwa wakazi na jamii nzima na fursa ya kukuza faida za kufanya shughuli za uchimbaji mawe. Tangu mwanzo wa mradi, TPCC imefanya matukio kumi na sita (16) rasmi ya kujenga ufahamu na uwezo wa kwa wageni, hasa kwa vikundi vya vijana na wanafunzi kuamini kwamba kupitia elimu ya mazingira kwa wanafunzi inaweza kuwa kichocheo cha mabadiliko na maamuzi chanya ya baadaye katika matumizi bora ya mazingira.

ISO 14001:2004 (Mfumo wa Udhhibiti Mazingira)

Kampuni inaendelea kuzingatia kasharti ya kiwango cha kimataifa cha ubora wa mazingira ISO 14001. Kamouni inaendelea kuboresha mfumo wake wa uhifadhi wa mazingira kwa kwenda sambamba na maendeleo ya uhifadi mazingira na malengo iliojiwekea. Ukaguzi wa kuhakiki masharti ya viwango vya kimataifa vya mazingira unategemea kufanyika mwezi Aprili 2017.

Upimaji wa Uchafuzi wa Hewa

Upimaji wa kiwango cha uchafuzi unategemewa kufanyika mwezi wan ne (Aprili 2017), upimaji wa mwisho ulifanyika mwezi Desemba 2016. Uongozi umetekeleza upimaji wa wa uchafuzi wa hewa na kuhakikisha inakidhi viwango vya uchafuzi hewa vilivyowekwa na Tanzania pamoja na vile vya kimataifa vya IFC/Benki ya Dunia

14. AFYA NA USALAMA

Kwa TPCC, afya na usalama vinaendelea kupewa kipaumbele. Pamoja na uboreshaji endelevu wa viwango vya usalama kwenye Kampuni, tumeongeza nguvu zaidi mwaka 2016 kuwaelimisha wafanyakazi wote, makandarasi na kampuni za usafirishaji juu ya kuwa una utamaduni wa usalama. Kampuni inatekeleza mfumo wa kuratibu masuala ya afya na usalama mahali pa kazi (OHMS) kama sehemu ya mkakati wa kudhibiti vihatarishi na ina cheti cha

kiwango cha OHSAS 18001:2007. Mfumo wa utaratibu wa menejimenti ya kazi unaoendana na kiwango cha kimataifa cha OHSAS 18001:2007, unahitaji mpango madhubuti, sheria bora za kazi, majukumu na udhibiti ili kuhakikisha maboresho endelevu.

Uongozi utaendelea kuweka msisitizo kwenye afya na usalama wa wafanyakazi na watoa huduma kwa kuhakikisha kutokuwepo kwa upotevu wa muda utokanao na ajali na pia kutokuwepo kwa vifo vitokanavyo na ajali

15. MATUKIO MAUU

- a. Bidhaa mpya ya saruji Twiga Jenga (grade 22.5) ilianza kutengenezwa mwaka 2016 na inategemea kuingizwa sokoni mwaka 2017.
- b. Maboresho yalifanyika robo ya mwisho ya mwaka 2015 kwenye mfumo wa mpya wa uhasibu (Infor SUN System) na manunuzi (EAM). Matokeo ya maboresho haya yamedhihirika katika mwaka 2016 ambapo katika kipindi hiki Kampuni imekuwa inatumia mfumo huu mpya.
- c. Baada kushinda kesi dhidi ya wavamizi 933 wa ardhi ya Kampuni, uongozi wa Kampuni kwa kushirikiana na Serikali zinafanya kazi pamoja ili kutafuta suluhisho la kudumu kuhusiana na suala hili la uvamizi wa ardhi.
- d. Katika kipindi cha mwaka 2016, Kampuni ilifanikiwa kujenga kituo cha mafunzo chenye vifaa bora kwa ajili ya mafunzo ya uzalishaji saruji na mafunzo kwa madereva. Kituo hiki kitatumika kutoa mafunzo kwa wafanyakazi wa kiwandani, wakandarasi na madereva.

16. USTAWI WA WAFANYAKAZI

a. Uhusiano kati ya Uongozi na Wafanyakazi

Mahusiano kati ya wafanyakazi na Uongozi wa kampuni kwa mwaka ulioisha tarehe Desemba 31, 2016 umeendelea kuwa mazuri. Hakukuwa na malalamiko yaliyotoka kwa wafanyakazi ambayo hayakufanyiwa kazi na Uongozi kwa kipindi kizima cha mwaka huo. Mahusiano mazuri yanaendelea kuwepo kati ya Uongozi wa kampuni na umoja wa wafanyakazi. Mkataba ya hiari yaliingiwa baina ya Chama cha Wafanyakazi wa Viwanda na Biashara (TUICO) na kampuni yanasimamia mahusiano kati ya Uongozi wa kampuni na wafanyakazi.

b. Idadi ya Wafanyakazi na Uwiano wa Kijinsia

Mpaka kufikia Desemba 31, 2016, kampuni imekuwa na wafanyakazi 280, kati yao wanawake wakiwa 28 na wanaume 252. (2015: Jumla 313; wanawake 32 and wanaume 281)

c. Huduma za Matibabu

Huduma ya afya na matibabu hutolewa bure kwa wafanyakazi wake wote na familia zao.

d. Usalama wa kiwandani

Kampuni inayo depatiment makini ya afya na usalam inayohakikisha kwamba tamaduni ya usalama inatiliwa mkazo. Kampuni ina miundombinu na vifaa sahihi, ambavyo vinasaidia kufikia vigezo vilivyopo kwenye Sheria ya Afya na usalama viwandani, 2003 na sharia zingine zinazohusiana na usalama viwandani (OHSAS 18001 Certification).

e. Mafunzo

Kampuni imewekeza katika kuendeleza wafanyakazi wake ikiwa pamoja na kuajiri na kutoa mafunzo kwa watu wenye sifa. Utaalamu wa kiufundi na utawala ni muhimu katika kuhakikisha usimamiaji wa shughuli za kiwanda kwa kutumia teknolojia sahihi.

Mwaka huu tulielekeza nguvu zetu katika afya na usalama mahali pa kazi, kufuata miongozo ya kampuni mama, usimamiaji wa fedha, ubora na kuendeleza viongozi.

Kampuni ilishirikiana na Mamlaka ya Vyuo vya Ufundi Stadi (VETA) katika kutengeneza mtaala wa majaribio kwa mafundi umeme. Baadhi ya wafanyakazi wa Kampuni wameingizwa katika mpango huu wa miaka miwili ili kuongeza ujuzi wao.

f. Mishahara

Viwango vya mishahara ya wafanyakazi hurekebishwa kila mwaka kwa kuzingatia uwezo wa kifedha baada ya majadiliano kati ya TUICO na uongozi wa Kampuni. Viwango vya mishahara ya mwaka 2016 vilikubaliwa mwezi Aprili 2016 (viwango vya mishahara vya 2015 vilikubaliwa mwezi Februari 2015). Katika mwaka husika, wafanyakazi wote wa mikataba walikuwa na mishahara isiyopungua TZS 7.8 milioni kwa mwaka au zaidi.



Taarifa ya Wakurugenzi

Baadhi ya wafanyakazi ni wanachama wa Mfuko wa Pensheni wa Mashirika ya Umma (PPF) wakati wengine ni wanachama wa Mfuko wa Hifadhi ya Jamii (NSSF). Kampuni huchangia 15% ya mshahara kwa kila mwanachama wa PPF na 10% ya jumla ya mshahara na marupurupu mengine kwa wale wanachama wa NSSF. Pamoja na kuchangia kwenye mifuko hii miwili, upo mpango wa tatu wa pensheni kwa ajili ya kuboresha mafao ya uzeeni ya wafanyakazi wote ambao Kampuni huchangia 10% ya mshahara wa kila mfanyakazi.

g. Fursa Sawa na Watu Wenye Ulemavu

Sera ya Kampuni ni kutoa fursa sawa za ajira kwa watu wote. Kampuni hutoa fursa za ajira kwa watu wote bila ubaguzi wa aina yoyote na bila upendeleo wa kijinsia, kabila, dini, kuoa au kuolewa.

Pia Kampuni hutoa fursa sawa kwa watu wenye ulemavu kujaza nafasi za kazi ili mradi ulemavu hauwi kikwazo katika utekelezaji wa majukumu yanayoambatana na nafasi husika.

17. UTAWALA BORA

a. Kanuni za utawala Bora

Kampuni inafuata kanuni za utawala bora na Bodi inaona kwamba Kampuni inatimiza kanuni za utawala bora kama zilivyoainishwa na Soko la Hisa na Mitaji.

b. Bodi ya Wakurugenzi

Kwa sasa, Bodi ina wakurugenzi sita; sita wasio watendaji na Mkurugenzi Mtendaji. Kazi za Mwenyekiti na Mkurugenzi Mtendaji zimetenganishwa. Bodi inawajibika kwa wanahisa kwa uongozi wa jumla wa Kampuni, kuweka mikakati na sera, kufuatilia ufanisi wa uendeshaji, usimamizi wa maeneo hatarishi na kuweka ngazi za madaraka. katika mwaka huu wa fedha, Bodi ilikutana mara tatu 2016 (2015: mara tatu)

c. Kamati ya Ukaguzi

Katika kutekeleza majukumu yake kuhusiana na kutoa taarifa za fedha, utekelezaji wa matakwa mbalimbali, udhibiti wa maeneo hatarishi, mifumo ya kihasibu na mfumo wa usimamizi wa habari (MIS), Bodi inasaidiwa na Kamati ya Ukaguzi. Kamati hiyo inaongozwa na mmoja wa wakurugenzi wasio watendaji. Mikutano wa kamati inafanyika mara kadhaa na inahudhuriwa na viongozi waandamizi na wakaguzi wa

mahesabu wa Kampuni inapobidi. Katika mwaka huu wa fedha, Kamati ya Ukaguzi ilikutana mara tatu 2016 (2015: mara tatu).

d. Tathmini ya ufanisi wa kazi na tuzo

Kampuni ina mfumo wa tathmini ya kazi na malipo ya bonasi kwa mameneja wake na wafanyakazi. Tuzo kwa namna ya bonasi za mwaka zinategemea ufanisi wa Kampuni na ufanisi wa mfanyakazi kulingana na malengo yaliyowekwa.

e. Udhibiti wa maeneo hatarishi na udhibiti wa ndani

Muundo wa Kampuni unajumuisha idara ya ukaguzi wa ndani. Mkaguzi wa ndani anawajibika kutayarisha na kutekeleza mpango wa ukaguzi wa ndani ambao utatathmini kama Kampuni inatekeleza sera na utaratibu, utoshelevu wa udhibiti wa ndani, usimamizi wa maeneo hatarishi na uwezekano wa kuboresha utendaji. Pia Kampuni inafaidika na ukaguzi wa ndani unaofanywa mara kwa mara na wakaguzi wa kutoka kwa mwanahisa mkuu.

f. Maadili ya biashara na ukamilifu wa muundo

Suala la utawala bora na uadilifu ni muhimu kudhihirika kwa wadau na wanahisa kwa kampuni iliyoorodheshwa kwenye soko la hisa. Kampuni inajitahidi kuhakikisha kwamba maadili na mienendo ya kitalaamu vinazingatiwa wakati wote. Kampuni imetayarisha miongozo ya maadili kwa wafanyakazi wake ili kupunguza madhara yatokanayo na ukiukwaji wake. Kampuni inafuata miongozo ya maadili ya biashara ya Kampuni Mama kwa hiyo kila mfanyakazi amesaini tamko la kukubaliana na miongozo hii.

g. Kutoa taarifa za uongozi, taarifa za fedha na ukaguzi

Kampuni imeandaa utaratibu wa kutoa taarifa za uongozi ambazo zinajumuisha uandaaji mipango mkakati na bajeti za mwaka. Taarifa halisi za fedha hutolewa kila mwezi zikilinganishwa na bajeti, makisio na mwaka uliopita. Taarifa za fedha hutolewa kulingana na kanuni za kimataifa za utoaji taarifa za fedha (IFRS) na huchapishwa mara mbili kwa mwaka kulingana na taratibu za Soko la hisa la Dar es Salaam. Hesabu za kila mwaka wa fedha hukaguliwa na wakaguzi wa kujitegemea.

18. UDHIBITI WA MAENEO HATARISHI

Bodi ina wajibu wa mwisho wa kuweka mifumo ya udhibiti wa ndani na maeneo hatarishi kwa Kampuni. Bodi imeupa uongozi wa Kampuni jukumu la kuweka,

kusimamia na kuendeleza mifumo thabiti ya udhibiti wa fedha na uendeshaji ili kuhakikisha kunakuwepo ufanisi katika uendashaji wa shughuli za Kampuni muda wote.

Hii itahakikisha:

- Rasilimali za Kampuni zinasimamiwa na kulindwa;
- Sheria na kanuni zilizowekwa zinafuatwa;
- Ubora wa kumbukumbu na nyaraka za kijasibu;
- Shughuli endelevu za kibiashara; na
- Tabia ya uwajibikaji kwa wadau wote wa Kampuni.

Kampuni hutumia miongozo ya fedha, ukaguzi wa ndani na kaguzi mbalimbali za mambo ya mazingira na usalama, mienendo ya biashara, miongozo dhidi ya rushwa, takwimu za kiuchumi na masoko kwa ajili ya kutathmini na kusimamia udhibiti wa ndani na maeneo hatarishi. Eneo hili limeongezewa nguvu na uwepo wa Kamati ya Ukaguzi ambayo huangalia mara kwa mara ufanisi wa mfumo mzima wa kudhibiti maeneo hatarishi. Maeneo hatarishi ambayo yanaweza kuwa na athari kubwa kwa rasilimali za Kampuni kwa kipindi kilichoishia 31 Desemba 2016 yamegawanywa katikamaeneo ya uendeshaji, masoko na mambo ya fedha kama ifuatavyo:

Maeneo ya hatarishi ya uendeshaji

Nishati ni muhimu sana katika uendeshaji wa shughuli za Kampuni. Kwa hiyo, upatikanaji na bei ya nishati vinaweza kuwa na athari kubwa kwa Kampuni. Kwa miaka yote Kampuni imekuwa ikitegemea nishati ya umeme kutoka katika Shirika la Ugavi wa Umeme Tanzania (TANESCO). Upatikanaji wa umeme huu kwa mara zote umekuwa wa kukatikakatika na hivyo kuifanya Kampuni kutofikia malengo yake ya uzalishaji. Kupanda kwa bei za nishati nako kunasababisha gharama za uzalishaji kuwa juu. . Kutokanana athari hizo Kampuni ina mpango wa kuwekeza katika nishati mbadala ili kuhakikisha kuwa kunakuwa na ugavi wa uhakika wa nishati ya umemekukidhi mahitaji ya kiwanda.

Uzalishaji wa saruji huanzia katika machimbo ya mawe ya chokaa yanayomilikiwa na Kampuni. Upatikanaji wa machimbo ya mawe ya chokaa ni muhimu katika kuhakikisha shughuli za uzalishaji wa saruji unakuwa endelevu. Kampuni imejizatiti katika kuhakikisha uwepo wa mawe ya chokaa ya kutosha. Vifaa vya ujenzi hupitia mchakato thabiti wa viwango

Usambazaji bidhaa za viwango duni au ambazo hazikidhi matakwa ya wateja unaweza kuathiri mauzo ya Kampuni, sifa ya Kampuni, mahusiano na wateja na pia inaweza kusababisha fidia na mashtaka dhidi ya Kampuni. Kuepukana na athari hizo, Kampuni inahakikisha kwamba inazalisha saruji inayofikia viwango vinavyokubalika kupitia maabara zake na hatimaye kuthibitishwa na Mamlaka ya Viwango Tanzania (TBS).

Maeneo ya hatarishi katika soko

Viwanda vipya vya saruji vinajengwa na baadhi vinakaribia kukamilika. Hii inategemea kuleta ushindani mkubwa katika soko. Katika kukabiliana na ushindani huu, Kampuni inajivunia ubora wa bidhaa zake, utaalamu na uwezo wa wafanyakazi na uongozi bora.

Maeneo ya hatarishi katika masuala ya fedha

Athari kubwa kwa upande wa fedha zinaweza kuletwa na thamani ya sarafu. Kampuni hufanya biashara kutumia sarafu ya Tanzania ambayo thamani yake imekuwa ikishuka dhidi ya sarafu kuu za kimataifa. Hii inaweza kusababisha Kampuni kupata hasara itokanayo na ubadilishaji wa fedha za kigeni. Uongozi wa Kampuni hufuatilia kwa umakini thamani ya sarafu ya Tanzania na kuchukua maamuzi sahihi pale inapohitajika ili kupunguza athari zitokanazo na ubadilishaji wa fedha. Rejea aya ya 39 ya taarifa ya hesabu

19. UWEZO NA RASILIMALI ZA KAMPUNI

Ili kufikia malengo yetu, Kampuni hutegemea rasilimali (zinazoonekana na zisizoonekana) kama ifuatavyo:

Uwezo wa Uongozi na Wafanyakazi

Rasilimali watu ni kati ya rasilimali muhimu sana kwa Kampuni. Uendeshaji wa Kampuni husimamiwa na timu iliyohitimu na yenye uzoefu wa kuendesha shughuli za kila siku ili kuweza kufikia malengo ya Kampuni. Timu hii ya uongozi inasaidiwa na wafanyakazi wenye uzoefu kwenye teknolojia ya saruji. Kampuni huajiri waliohitimu na wenye uzoefu wa kutosha na pia imewekeza katika kutoa mafunzo kwa wafanyakazi wake.

Ubora wa Bidhaa

Saruji chapa Twiga (Twiga Cement) inajulikana sana katika soko na umaarufu wake unatokana na ubora wake. Taswira na ubora wa bidhaa zetu vinatupa fursa nzuri kwenye soko. Ili kukidhi matakwa ya viwango vya ubora katika soko la saruji, Kampuni inatengeneza saruji ya OPC 42.5N maalum kwa ajili ya ujenzi wa madaraja na maghorofa, Twiga Plus, Twiga Extra and Twiga Jenga.



Taarifa ya Wakurugenzi

Mtandao Imara wa Usambazaji

Bidhaa zetu zimeweza kufika sehemu nyingi nchini kutokana na mtandao madhubuti wa usambazaji na uwepo wa magari yanayomilikiwa na wasambazaji wetu. Kampuni pia huuza saruji katika baadhi ya nchi za jirani katika Afrika ya kati na baadhi ya Africa mashariki.

Nafasi katika Soko

Saruji ya Twiga ni bidhaa inayopendwa na hii inafanya Kampuni kushikauongozi katika soko la saruji. Nafasi yetu ya uongozi katika soko inatiwa msukumo na kuwa karibu na soko kuu la saruji la Dar es Salaam.

Msaada wa Kiufundi

Kampuni Mama HeidelbergCement AG, inaongoza katika soko la kokoto duniani na ni mdau mkubwa katika uzalishaji wa saruji, zege na shughuli nyinginezo zinazohusiana na hizi. Hii inafanya HeidelbergCement AG kuwa kati ya watengenezaji wakubwa wa malighafi za ujenzi. Kampuni inafaidika na huduma bora za kitaalamu na kiufundi kwenye biashara ya saruji kutoka HeidelbergCement AG.

Teknolojia na Mitambo

Kampuni itaendelea kuwekeza kwenye teknolojia ya kisasa ikiwa pamoja sambamba na mradi wa kufufua kinu namba tatu (CM3) uliokamilika mwaka 2016. Kamouni imewekeza katika kituo cha kisasa cha kuzalisha sement na mafuzo kwa madereva.

Akiba ya chokaa bora

Chokaa ni kati malighafi muhimu katika utengenezaji wa saruji. Kampuni ina akiba ya kutosha ya chokaa kukidhi mahitaji ya utengenezaji wa saruji.

20. MISAADA

Mwaka huu, kampuni ilitoa misaada na michango ya hisani yenye thani ya TZS 69.7 milioni (2015: TZS 37 milioni). Hakukua na misaada ya kisiasa. Pamoja na misaada hiyo, Kampuni ilijihusisha na uraia mwema ikilenga zaidi wanawake, huduma za afya, elimu na watoto. Jumla ya TZS 69.3 milioni (2015: TZS 302 milioni) zilitumika.

21. GAWIO

Wakurugenzi wanapendekeza gawio la TZS 48.58 billion (TZS 270 kwa kila hisa) kwa wanahisa wake kama gawio la mwisho kwa mwaka 2016. Gawio pedekewa linajumuisha gawio la awali la TZS 21.59 bilioni (TZS 120 kwa kila hisa) lililipwa kwa wanahisa mwezi Oktoba 2016 na pia gawio la pili la TZS bilioni 16.19 (TZS 90 kwa kila hisa) lililipwa mwezi Februari 2017 Jumla ya gawio la mwaka 2015 lilikua TZS 55.06 bilioni (TZS 306 kwa kila hisa) likijumuisha gawio la awali la TZS 37.06 bilioni (TZS 206 kwa kila hisa) lililipwa mwezi Oktoba 2016 na Februari 2016). Kufikia pendekezo hili, wakurugenzi wamezingatia hali ya kifedha ya kampuni, mahitaji ya baadae ya miradi ya uboreshaji. Kiwango cha gawio kilochopendekezwa mwaka 2016 kimekuwa pungufu kwa asilimia 11 ikilinganishwa na mwaka uliopita na ni asilimia 121 ya faida ya mwaka 2016 baada ya kodi.

22. MATUKIO YA BAADAYE

Hapakuwa na matukio ya baadaye ambayo yametokea na yanahohitaji kuwekwa wazi au kurekebisha kwenye taarifa za fedha ambayo yangukuwa na athari kwa taarifa hizo za fedha.

23. SHUGHULI NA BIASHARA NA KAMPUNI ZENYE UHUSIANO

Kampuni mama ya TPCC ni HeidelbergCement AG, iliyoorodheshwa kwenye soko la fedha la Frankfurt katika Jamuhuri ya nchi ya Ujerumani. HeidelbergCement AG inamiliki Scancem International DA ya nchi ya Norway, ambayo humiliki 69.25% ya hisa zote za TPCC.

Kampuni huagiza malighafi, vipuri na mahitaji mengine ya uzalishaji kwa bei ambazo hufikiwa kwa misingi ya kawaida ya biashara, kutoka Scancem International DA ambayo inamiliki 69.25% ya hisa zote za kampuni. Maelezo ya kina ya shughuli zinazofanya na watu au makampuni yenye uhusiano yako aya ya 29 ya taarifa ya fedha.

24. MTAJI WA HISA

Jumla ya mtaji wa hisa uliotolewa ni hisa za kawaida 179,923,100 (2014: hisa 179,923,100). Hakukua na mabadiliko yoyote ya mtaji wa hisa.

Mgawanyo wa hisa za kampuni ni kama ifuatavyo:

Jina	2016 % ya Umiliki	2015 % ya Umiliki
Scancem International DA	69.25	69.25
General Public	30.37	30.37
Wazo Hill Saving and Credit Cooperative Society	0.38	0.38
	100.00	100.00

25. SERA ZA UHASIBU

Taarifa za fedha zimetayarishwa kwa kuzingatia kuwa Kampuni itaendelea na shughuli zake kwa vipindi vijavyo. Miongozo ya kijasibu imeainishwa kwenye aya ya 4 ya taarifa za fedha na hufanywa tathmini kila mwaka ili kuhakikisha kuwa zinaendena na viwango vya kimataifa vya utoaji wa taarifa za fedha (IFRS).

26. WANAHISA WA KAMPUNI

Idadi ya wanahisa kwa mwaka ulioishia 31 Desemba 2016 ilikuwa 9,750 (2015: wanahisa 9,440). Ifuatayo ni orodha ya wanahisa wakubwa kumi wa kampuni.

Jina	Uraia	2016 % ya Umiliki	2015 % ya Umiliki
Scancem International DA	Mnorwe	69.25	69.25
PPF Pensions Fund	Mtanzania	5.42	5.42
Standard Chartered Bank Uganda	Mganda	4.02	0
Public Service Pension Fund	Mtanzania	2.75	2.69
National Social Security Fund	Mtanzania	1.24	1.24
Murtaza Basheer Nasser	Mtanzania	0.90	0.90
Umoja Unit Trust Scheme	Mtanzania	0.76	0.76
Sayed H. Kadri/Basharat Kadro/ Mehboob/Kadri/Khalid/Muzammil Kadri	Mtanzania	0.57	0.57
GEPP Retirement Benefit Fund	Mtanzania	0.56	0.56
Said Salim Awadh Bakhresa	Mtanzania	0.51	0.51

27. TAARIFA YA SOKO LA MTAJI

Kampuni iliorodheshwa katika soko la mtaji tarehe 29 Septemba 2006 na hisa zake kuanza kuuzwa kwenye soko la Mitaji ya Dar Es Salaam (DSE). Mwaka 2016 hisa za kampuni zilifanya biashara wakati wote kwenye minada iliyoratibiwa na Soko la Mitaji la Dar Es Salaam (DSE). Mwaka 2016, mwenendo wa hisa zetu kwenye soko la mitaji ilikua kama hivi: Thamani ya Kampuni mnamo 31 Desemba 2016 ilikuwa TZS 412.02 bilioni (2015: TZS 539.77 bilioni). Bei ya hisa mnamo 31 Desemba 2016 ilikuwa TZS 2,290 kwa hisa, ikilinganishwa na bei ya hisa ya TZS 3,000 kwa mwaka wa 2015 (Bei katika soko la mwanzo ilikuwa 435 kwa hisa).

28. WAKAGUZI

Wakaguzi wa Kampuni kwa mwaka 2016 walikua Ernst & Young. Wakaguzi wameeleza kuwa wako tayari kuendelea kuwa wakaguzi wetu na wanafaa kuteuliwa tena. Azimio la kuwapendekeza Ernst & Young kuwa wakaguzi wa Kampuni kwa mwaka 2017 litawasilishwa kwenye Mkutano Mkuu wa mwaka.

Imetolewa kwa amri ya Bodi

Imeidhinishwa na Bodi ya Wakurugenzi tarehe 12 April 2017 na imesainiwa na:


Mwenyekiti


Mkurugenzi



Sustainability and Corporate Governance

Environment Awareness Training & Tree Planting

TPCC continues to enhance sustainability projects and increase the number of persons receiving the Environmental Awareness Training. Distribute trees to areas in need and monitor upkeep.



HeidelbergCement Managing Board Director Mr. Hakan Gurdal plants a tree at the TPCC quarry during his December 2016 visit to TPCC plant.

More than 20 environmental awareness campaigns, education and training events were conducted to different stakeholders during the year. The stakeholders include TPCC Corporate Visitors, Management & Staff, local community groups surrounding TPCC (i.e. primary and secondary schools, local leaders, local NGOs, etc.), higher learning institutions, government officials, block makers, and many other groups.



Germany Ambassador to Tanzania H.E Egon Kochanke (with shover) takes a picture in TPCC quarry after planting a tree during the Germany embassy staff visit to TPCC Plant & Quarry in November 2016.

To date there is an increased interest of various community groups to visit the quarry for the purpose of learning, researching and planting trees. During most of research based project visits, the visitors included higher learning students and their teachers, researchers, NGOs and individual local people.

TPCC in collaboration with UVIKIUTA did make use of all visits to raise environmental conservation awareness through dissemination of awareness materials and onsite demonstration of typical conservation activities.

Collaboration with the Roots & Shoots program through Jane Goodall Institute (JGI) Tanzania also continued in year 2016 to push forward the Environmental education agenda for primary schools. During the year, TPCC through Roots & Shoots (R&S) organized practical trainings on an Environmental Greening Policy to help communities map their open areas and public places in order to prioritize conservation locations that are of public interest.

Sustainability and Corporate Governance



TPCC Quarry – tree nursery



Trees donated to a primary school near the plant

Tree seedlings were donated to various stakeholders ranging from individual community members to medium institutions like schools and prisons to large institutions including universities and NGOs. To the maximum extent, trees were donated to stakeholders based in Dar Es Salaam. However, some trees were also donated to other regions of Tanzania i.e. Arusha and Dodoma.

Quarry Rehabilitation



Part of the TPCC Rehabilitated quarry

We are glad that during the year 2016 TPCC prepared and carried out an extensive plan on the rehabilitation and restoration activities in the quarry.



Corporate Social Responsibility

In Social Responsibility, TPCC continues to give back to the community and hence continues to support projects, organizations and initiatives that:

- are based in Tanzania,
- are aligned with TPCC's Code of Business Conduct,
- create long term benefits and value for the society
- have a high profile within the society and meet the legal regulations.

TPCC's CSR areas of focus during the year were:

- Improving Living Circumstances for Communities Surrounding the Factory
- Enhance Educational And Training Settings For Young People
- Contribute To Environmental Protection



TPCC Staff & Contractors participant in a cleaning campaign to community held April 2016

In improving living circumstances for communities surrounding the factory, TPCC cooperated with various stakeholders in order to preserve and protect the environment by promoting climate protection and also enhancing safety within the community. TPCC during the year also made various contributions/donations to emerging events.



To enhance safety in the Wazo area, TPCC continues to work closely with the Wazo Police authorities under Kawe-Kinondoni District. During the year TPCC supported with 200 cement bags towards the construction of the Mandale police station, as well as repairs of Wazo Police vehicle. Pictured is Kawe OCD receiving the repaired vehicle from TPCC CSR Manager.

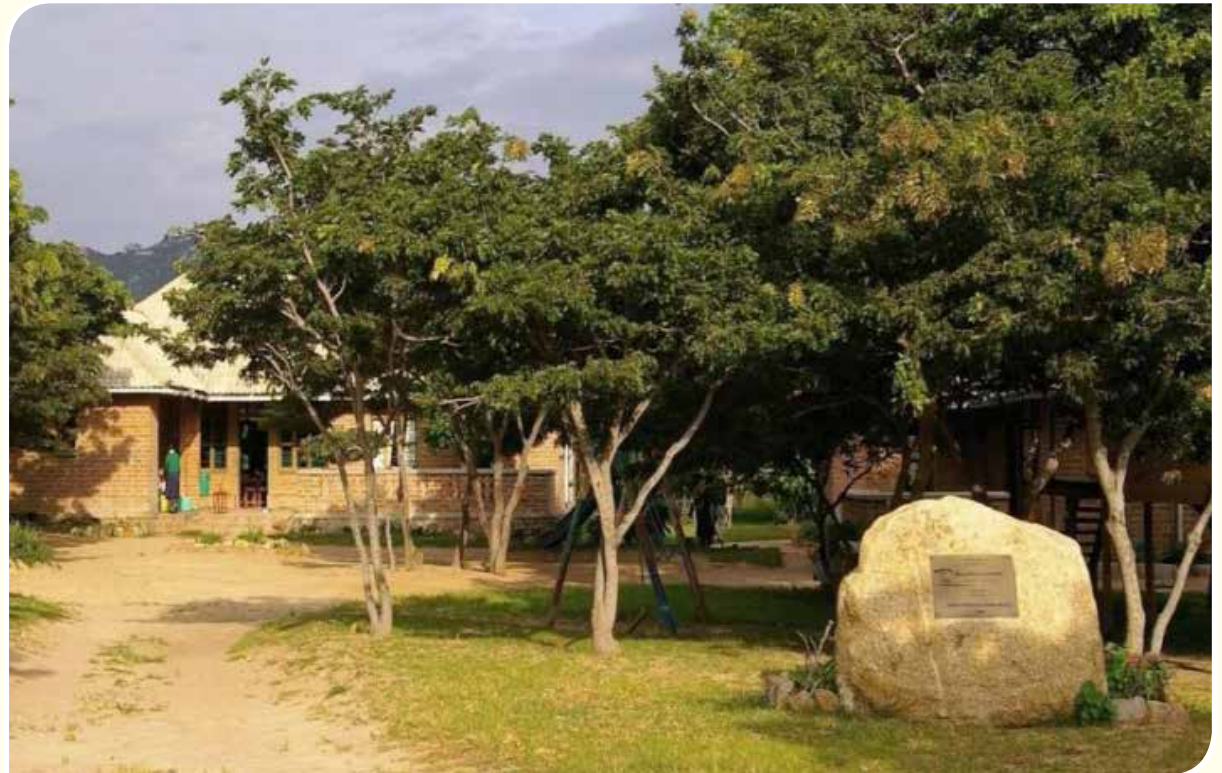
Corporate Social Responsibility



June 2016; 1000 pieces of Mosquito Nets were distributed to the residents of Boko Basihaya. The Mosquito Nets were received by Bunju Special Seat MP, Ms. Caroline Kazinza (center in purple).



TPCC Head of transport hands over a Toyota Hilux donated to AOHM, a Childrens' home in Iringa, Tanzania. AOHM supports children living with HIV/AIDS in the Kilolo district, Iringa. The vehicle shall ease the center's transport challenges from the center to the village school and hospital.



AOHM Center - Iringa, with a stone plaque to commemorate TPCC's huge contribution to the centers construction. During the year TPCC donated 1,200 cement bags for the construction of a kindergarden, staff houses and other center buildings.



Statement Of Directors' Responsibilities

For the Year Ended 31 December 2016

The Tanzanian Companies Act, 2002 requires the Directors to prepare financial statements for each financial period which present fairly, in all material respects, the state of financial affairs of the Company as at the end of the financial year and of its profit or loss. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Tanzanian Companies Act, 2002. The Directors are of the opinion that the financial statements present fairly, in all material respects, the state of financial affairs of the Company and of its profit.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Chairman

Director



Statement of Head of Finance's Responsibilities FOR THE YEAR ENDED 31 DECEMBER 2016

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, CAP 212 Act No. 12 of 2002. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the Statement of Directors' Responsibilities on page 40.

I Evaline Mushi, being the Chief Accountant of Tanzania Portland Cement Company Limited hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2016 have been prepared in compliance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002.

I thus confirm that the financial statements give a true and fair view of the financial position and results of Tanzania Portland Cement Company Limited as on that date and for the year then ended, and that the financial statements have been prepared based on properly maintained financial records.

Signed by: Evaline Mushi Mushi

Position: Chief Accountant

NBAA Membership No.: ACPA 2030

Date: 12 April 2017



TWIGA
FAMILY



Independent Auditor's Report

To the shareholders of Tanzania Portland Cement Company Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tanzania Portland Cement Company Limited (the Company) set out on pages 48 to 80 which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International

Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

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



Independent Auditors Report

No.	Key audit matter	How our audit addressed the key audit matter
1.	Accounting for tax positions	
	<p>Tax positions were significant to our audit because the assessment process involves judgement.</p> <p>Determination of provisions and contingent liabilities for income tax and indirect taxes requires the directors to make judgements and estimates in relation to the income tax computations and exposures arising from open tax assessments. The Company has open tax assessments and the determination of provisions and contingent liabilities arising from the open assessments make this a particular area of significant judgement.</p>	<p>Our audit procedures included understanding the Company's processes for the recording and re-assessment of tax provisions.</p> <p>We performed audit procedures on the completeness and accuracy of the amounts recognized as current and deferred tax, including the assessment of the correspondence with tax authorities, reports of the Company's external tax consultants and the evaluation of tax exposures.</p> <p>We included in our team tax specialists to analyse the tax positions and to evaluate the assumptions used to determine tax positions.</p> <p>We assessed relevant historical and recent judgements passed by the tax authority in considering any precedent, as well as assessing legal opinions from the Company's external lawyers, where available.</p> <p>We also assessed the adequacy of the Company's disclosure in Note 30 in respect of income tax and Note 35 in respect of tax contingencies.</p>
2.	Revenue recognition – accuracy of revenue recorded	
	<p>There is an inherent risk around the accuracy of revenue recorded given the high volume of transactions.</p>	<p>Our audit approach included controls testing and substantive procedures covering, in particular: -</p> <ul style="list-style-type: none"> • Testing the controls over invoicing, pricing and other relevant support systems and processes. • Testing the end-to-end reconciliation from production levels, sales quantities, inventory quantities to revenue recorded in the general ledger. This testing included validating material journals processed in the sales ledger. • Agreement to source documents supporting the measurement and accuracy of the revenue recognised on sample basis. • Performing an analysis of revenue based on our knowledge of the Company, forming an expectation of revenue based on key performance indicators taking into account changes in the Company's business. • Considering the application of the Company's revenue recognition accounting policies to amounts invoiced. • Assessing the adequacy of the Company's disclosures in respect of the accounting policies on revenue recognition set out in Note 4.

Other Information included in the Company's 2016 Annual Report

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high

level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



Independent Auditors Report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

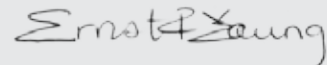
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

As required by the Companies Act, 2002 of Tanzania, 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 Company, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements;
- Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and
- The Company's statement of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is Neema Kiure Mssusa


Ernst & Young

Certified Public Accountants
Dar es Salaam

Signed by: Neema Kiure Mssusa (Partner)

Date: 16 May 2017







Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 31 December 2016

		2016 TZS '000	2015 TZS '000			2016 TZS '000	2015 TZS '000
Revenue	7	277,226,967	287,959,748	Other comprehensive income			
Cost of sales	9	(170,494,279)	(170,653,395)	<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Gross profit		106,732,688	117,306,353	Re-measurement of losses on defined benefit plan	27	(1,609,075)	(35,785)
Other operating income		475,553	118,648	Income tax effect		482,723	10,735
Selling and marketing costs	10	(3,640,575)	(2,242,565)	Other comprehensive loss for the year net of tax		(1,126,353)	(25,050)
Administrative costs	11	(27,227,640)	(20,831,098)	Total comprehensive income for the year net of tax		38,711,440	56,221,457
Depreciation, amortisation and impairment	16 (b)	(20,278,937)	(19,258,213)				
Other operating expenses	13	(2,173,998)	(1,295,170)	Earnings per share			
Operating profit		53,887,091	73,797,955	Basic and diluted earnings per share	36	221.42	312.61
Finance income	14	803,917	912,014				
Financial costs	15	(143,145)	(149,070)				
Gain on foreign currency translation	16	2,910,675	6,292,194				
Profit before tax		57,458,536	80,853,093				
Income tax expense	30	(17,620,744)	(24,606,586)				
Profit for the year		39,837,793	56,246,507				



Statement of Financial Position

As At 31 December 2016

	Notes	2016 TZS '000	2015 TZS '000
ASSETS			
Non-current assets			
Property, plant and equipment	17	161,040,250	175,994,827
Intangible asset	18	3,765,237	4,283,530
Leasehold land	19	1,148,005	1,175,851
		165,953,492	181,454,208
Current assets			
Inventories	20	63,652,173	56,099,518
Current income tax recoverable	30	1,649,132	-
Trade receivables	21	25,476,160	22,437,257
Other short-term operating receivables	22	5,598,503	11,483,974
Cash and bank balances	23	23,175,669	37,165,038
		119,551,637	127,185,787
TOTAL ASSETS		285,505,129	308,639,995
EQUITY AND LIABILITIES			
Equity			
Authorised, issued and fully paid up share capital	24	3,598,462	3,598,462
Retained earnings		193,614,036	210,305,499
		197,212,498	213,903,961

	Notes	2016 TZS '000	2015 TZS '000
Non-current liabilities			
Interest-bearing loans	25	-	176,270
Employment benefit liabilities	27	3,882,298	5,588,799
Deferred income tax liability	30	26,532,519	29,269,710
Quarry restoration provision	31	3,372,972	2,559,677
		33,787,789	37,594,456
Current liabilities			
Current income tax payable	30	-	2,608,582
Trade and other payables	26	35,778,350	32,473,700
Interest-bearing loans	25	5,021	55,285
Dividend payable	34	18,721,470	22,004,011
		54,504,842	57,141,578
TOTAL EQUITY AND LIABILITIES		285,505,129	308,639,995

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors passed on 12 April 2017 and were signed on its behalf by:

Chairman

Director



Statement of Changes in Equity

For The Year Ended 31 December 2016

	Authorised, Issued and fully paid share capital (Note 24) TZS '000	Retained earnings TZS '000	Total TZS '000
At 01 January 2016	3,598,462	210,305,499	213,903,961
Profit for the year	-	39,837,793	39,837,793
Other comprehensive income, net of tax	-	(1,126,353)	(1,126,353)
Total comprehensive income, net of tax	-	38,711,440	38,711,440
Dividends declared	-	(55,776,161)	(55,776,161)
Dividend forfeited*	-	373,258	373,258
At 31 December 2016	3,598,462	193,614,036	197,212,498
At 01 January 2015	3,598,462	226,113,067	229,711,529
Profits for the period	-	56,246,507	56,246,507
Other comprehensive income, net of tax	-	(25,050)	(25,050)
Total comprehensive income, net of tax	-	56,221,457	56,221,457
Dividends declared	-	(72,509,009)	(72,509,009)
Dividend forfeited*	-	479,984	479,984
At 31 December 2015	3,598,462	210,305,499	213,903,961

*These are dividends not claimed for more than seven (7) years. The Tanzania Companies Act, 2002 allows for dividend unclaimed forfeiture and the Board of Directors approved the forfeiture of the dividends as it meets the criteria set by country laws.



Statement of Cash Flows

For The Year Ended 31 December 2016

	Notes	2016 TZS '000	2015 TZS '000
Operating activities			
Profit before tax		57,458,536	80,853,093
<i>Adjustment to reconcile profit before tax to net cash flows:</i>			
Depreciation, amortisation and impairment	16 (b)	20,278,937	19,258,213
Interest expenses	15	143,145	149,070
Interest income	14	(803,917)	(912,014)
Net unrealised exchange gain	16	99,107	(4,560,624)
Net increase in provision for obsolete inventory	20(b)	(2,193,610)	(26,389)
Fixed assets written off		-	153,983
Net increase in provision for other receivables	10	252,655	326,803
Gain on disposal of property, plant and equipment	8	(63,978)	(34,400)
Impairment of spare parts	11	4,343,255	-
Cash flows before changes in working capital items		79,514,132	95,208,735
<i>Working capital adjustments:</i>			
Decrease/(Increase) in inventories		(9,702,300)	2,259,801
Increase in trade receivables		(3,291,559)	(6,925,748)
Decrease/(Increase) in other short-term operating receivables		5,885,471	(2,000,365)
Decrease in employment benefit liabilities less OCI changes		(1,706,501)	(113,690)
Increase/(decrease) in trade and other payables		4,117,034	(10,322,877)
		(4,697,855)	(14,735,647)
Corporation tax paid	30	(24,132,926)	(21,989,099)
Interest received	14	803,917	912,014
Interest paid		(180,517)	(157,789)
Net cash inflows from operating activities		51,319,172	59,238,214

	Notes	2016 TZS '000	2015 TZS '000
Investing activities			
Proceeds from disposal of property, plant and equipment		201,265	34,400
Payment for capital works-in-progress	17	(4,691,202)	(5,567,010)
Purchase of capital items in stock	17	(223,851)	(150,722)
Purchase of intangibles		-	(3,944,689)
Purchase of property, plant and equipment		-	(788,848)
Net cash flows used in investing activities		(4,713,788)	(10,417,869)
Financing activities			
Dividends paid		(60,256,691)	(53,005,701)
Interest-bearing loans repaid		(226,534)	(50,364)
Net cash flows used in financing activities		(60,483,225)	(53,056,065)
Net increase in cash and cash equivalents		(13,890,262)	(4,235,720)
Net foreign exchange difference		(99,107)	4,560,624
Cash and cash equivalents at 01 January		37,165,038	36,840,134
Cash and cash equivalent at 31 December	23	23,175,669	37,165,038



Notes to the Financial Statements

For The Year Ended 31 December 2016

1. CORPORATE INFORMATION

The financial statements of Tanzania Portland Cement Company Limited ('the Company') for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the Directors on 28th March 2017. The Company is a Limited Company incorporated and domiciled in Tanzania. The Company's shares are publicly traded. The registered office is located at Wazo Hill, Dar es Salaam.

The principal activities of the Company are disclosed in the Directors' Report. Information on its holding company is provided in Note 29.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except where stated otherwise. The financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest thousand (TZS '000'), except when otherwise indicated.

Statement of compliance

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

3. CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company are consistent with those of previous year, are described below:

Foreign currency translation

Functional and presentation currency

The financial statements are presented in Tanzanian Shillings (TZS), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. 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.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at

Notes to the Financial Statements

For the Year Ended 31 December 2016

the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when significant risks and rewards of ownership of goods have passed to the buyer, usually on delivery of the goods. The main goods sold by the company are cement and clinker.

Dividend distribution

Dividend distribution to the shareholders is charged to equity and recognised as a liability in the Company's financial statements in the period in which they are declared, and after being approved by the shareholders at the Annual General Meeting.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of any replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in profit and loss as incurred. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The annual rates of depreciation which have been consistently applied are:

Description	Rate (%)
Buildings and roads	4.0
Production machinery and equipment: (Factory plant and machinery)	5.0 – 10.0
Production machinery and equipment (Quarry plant and machinery)	25.0
Other equipment (Furniture, equipment and fixture)	12.5
Other equipment (Motor vehicles)	25.0
Other equipment (Computer hardware)	33.3

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Capital work-in - progress

Capital work-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 Company. 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. Capital work-in-progress is not depreciated, since by the definition it is not yet ready for use.

Capital items in stock

Spare parts and servicing equipment are classified as Property, Plant and Equipment rather than inventory when they meet the definition of Property, Plant and Equipment. They are measured on cost less depreciation and provision for impairment.

Intangible assets

The Company's intangible assets include the value of computer software and mining rights for limestone quarry. Mining rights are rights to extract limestone from the land that belongs to the government. The Company pays cost of the mining rights at inception of the contract in advance and amortizes over the life of the contract.



Notes to the Financial Statements For the Year Ended 31 December 2016

Intangible assets acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The annual rate of amortisation which has been consistently applied is 20% – 50%. The amortisation period and amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of 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 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.

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 recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot 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. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Impairment losses are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

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 Company 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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits and trade and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables 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 (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in selling and marketing costs. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 21.

Other receivables

Other receivables constitutes staff advances and prepayment which are receivables within one years. Staff advances are granted to staff who have family emergency and are repayable to the maximum of six (6) months through payroll. Prepaid expenses are amounts which paid but the services or goods paid for has not been consumed or delivered. Subsequently this will be accounted as assets or expenses.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash on hand is measured at its face value.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it

has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company 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.

Impairment of financial assets

The Company assesses, at each reporting date whether a financial asset or 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 debtors 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 observable data indicating 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 Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

If the Company 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.

The amount of any impairment loss identified is measured as the difference between the asset's 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.



Notes to the Financial Statements

For the Year Ended 31 December 2016

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income (recorded as finance income in the statement of profit or loss) 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. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. 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 write-off is later recovered, the recovery is credited to other operating income in the profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Company's financial liabilities include trade and other payables, bank overdraft, financial guarantee contracts, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Interest bearing loans, trade and other payables

After initial recognition, interest bearing loans and trade and other payables are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the 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 the finance costs in the statement of comprehensive income.

De-recognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where 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 derecognising of the original liability and the recognition of a new liability, and the difference in the respective carrying value 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 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.

Operating lease - Company as a lessee

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Operating lease payments, including land rent. Prepaid operating lease on leasehold land are recognised as an expense in profit or loss on a straight line basis over the lease term. Annual land rent and property taxes are expensed in profit or loss annually.

Rental income - Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

Inventories

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

- *Raw materials* – purchase cost on first in first out basis;
- *Finished goods and work in progress* – cost of direct materials and labor and a proportion of manufacturing overheads based on normal capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Provisions

Provisions are recognised when the Company 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. When the Company 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 a provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pensions and other employment benefits

The Company operates defined contribution plans and defined benefit plans.

Pension obligations

Under defined contribution plans, the Company's employees are members of state-owned pension schemes, namely the PPF Pensions Fund and National Social Security Fund (NSSF). The Company contributes 15% of basic salary for each employee who is a member of PPF and 10% of gross salary for each employee who is a member of NSSF, while the employees contribute 5% and 10% respectively. The Company's contributions to the funds are charged to profit or loss in the year to which they relate.

Endowment scheme

The Company has an endowment scheme administered by the Jubilee Insurance Company of Tanzania Limited. This scheme is a defined contribution plan. The cost of the endowment scheme is fully met by the Company (See also note 5 Significant Accounting Judgements, estimates and assumptions - Pension Obligations).

Post-employment benefits

Under defined benefit plans, the Company provides certain post-employment benefits at retirement. The expected costs of these benefits are accrued over the period of employment and the present value of the obligation is determined by reference to market yields on high quality corporate bonds, where there is no deep market in such bonds, the market yields on government bonds is used at the end of the reporting period.

Long service employment benefits (other long term employee benefits)

Under this defined benefit plan, the Company provides benefits in the form of cement at certain milestones during the period of employment.

The expected costs of these benefits are accrued over the period of employment and the present value of the obligation is determined by reference to market yields on high quality corporate bonds, where there is no deep market in such bonds, the market yields on government bonds is used at the end of the reporting period.

These benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises related restructuring costs

Interest is calculated by applying the discount rate to the defined benefit liability. The Company recognises the following changes in the defined benefit obligation in the statement of profit or loss (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense

Taxes

Current tax

Current tax assets and liabilities for the current and prior periods 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 by the financial year end date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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



Notes to the Financial Statements

For the Year Ended 31 December 2016

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when 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:

- When 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, associates and interests in joint ventures, 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. At the end of each reporting period, the company reassesses unrecognised deferred tax assets. The company recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit 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.

Current tax and deferred tax relating to items recognised directly in other comprehensive income or equity are also recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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; and
- 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 statement of financial position.

Royalty

Royalty fee is a fixed charge paid to the government on annual basis basing on unit of minerals extracted by the Company. The annual fee paid depends on material extracted during a particular month.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

In the process of applying the Company's accounting policies, management has made the following significant estimations, which has the most significant effect on the amounts recognised in the financial statements:

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial year end date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are discussed below.

Impairment losses on trade receivables

The Company reviews its trade receivables to assess impairment at the reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Company determine as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows in an individual trade receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of the customer, or national or local economic conditions that correlate with defaults on repayment. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

More information on impairment losses including the carrying amounts of the balances affected is presented in Note 21.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying value may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The assets that are subject to this are presented in Notes 17 and 18.

Post-employment and long service defined benefit plans

The cost of defined benefit pension plans and other long term employment plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to

the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are included in Note 27.

Provision for quarry rehabilitation

Limestone is mined from the quarry in a way that leaves the “used” area as a one-level horizontal plateau (bench). The Company re-cultivates the quarry sites that will no longer be mined and the Company has a quarry rehabilitation plan. Due to the long term nature of mining a quarry, assessment of the quarry rehabilitation provision are subject to significant estimates. Refer to Note 31 for more information on the quarry rehabilitation provision.

6. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are described below. This description is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company expects that adoption of these standards, amendments and interpretations in most cases not to have any significant impact on the Company's financial position or performance in the period of initial application. In cases where it will have an impact, the Company is still assessing the possible impact.

The following standards and interpretations have been issued or revised but were not yet effective for financial year ended 31 December 2016:

IFRS 9: Financial instruments

IFRS 9, as issued in July 2015, reflects the completion of all the phases of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities, impairment as well as hedge accounting.

Classification and measurement of financial instruments

Financial Assets: Financial assets are measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics.

Equity securities are measured at fair value through profit or loss unless the entity chooses, on initial recognition, to present fair value changes in other



Notes to the Financial Statements

For the Year Ended 31 December 2016

comprehensive income (OCI). This option is irrevocable and applies only to equity instruments, which are not held for trading. Unlike debt instruments, gains and losses in OCI are not recycled on sale and there is no impairment accounting.

Derivatives are also measured at fair value through profit or loss. In comparison to IAS 39, there is no bifurcation of embedded derivatives for financial assets recorded at amortised cost or FVOCI.

The derecognition principles in terms of IAS 39 remain the same in IFRS 9.

Financial Liabilities: For liabilities designated at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in OCI.

All other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9.

Impairment of financial assets

The expected credit loss model applies to debt instruments recorded at amortised cost or at fair value through other comprehensive income (such as loans, debt securities and trade receivables), lease receivables and most loan commitments and financial guarantee contracts.

Entities are required to recognise either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

The measurement of expected credit losses would reflect a probability-weighted outcome, the time value of money and reasonable and supportable information.

Effective date and transition

The standard applies to annual periods beginning on or after 1 January 2018, although early application is permitted. Retrospective application is required, however, transition reliefs are provided (including no restatement of comparative period information).

Other standards issued but not yet effective which the Company does not expect to have an impact on the financial statements are listed below.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 was issued in May 2015 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 Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

Other standards issued but not yet effective

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Effective 1 January 2018).
- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (Effective 1 January 2017).
- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
- (Effective 1 January 2018).

Amendments to IAS 7 Statement of Cash Flows

The improvements to disclosures announced today require companies to provide information about changes in their financing liabilities. The amendments will help investors to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as foreign exchange gains or losses). The improvements are part of the Board's Disclosure Initiative—a portfolio of projects aimed at improving the effectiveness of disclosures in financial reports. The IAS 7 amendments become mandatory for annual periods beginning on or after 1 January 2017. The impact of the amendments is being assessed by the company.

Notes to the Financial Statements

For the Year Ended 31 December 2016

IFRS 16 Leases

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

Key features

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

Transition and effective date

The new standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. The new standard permits a lessee to choose either a full retrospective or a modified retrospective transition approach. The new standard's transition provisions permit certain reliefs. The new standard requires lessees and lessors to make more extensive disclosures than under IAS 17. The impact of the new standard is being assessed by the company.

7. REVENUE

Sales of goods:

	2016 TZS '000	2015 TZS '000
Twiga plus	90,611,596	104,027,090
Twiga extra	168,348,392	166,781,591
Twiga ordinary	20,376,669	20,217,596
Twiga aggregate	-	719,573
Clinker	2,229,889	535,886
Gypsum	146,495	-
	281,713,041	292,281,736
Less: Freight outbound	(4,486,074)	(4,321,988)
	277,226,967	287,959,748

8. OTHER OPERATING INCOME

Gain on disposal of property, plant and equipment	63,978	33,400
Rental income	49,501	38,115
Other income*	362,074	47,133
	475,553	118,648

*Included in other income is reimbursement of shipment costs for conveyor belt costs by Scancem International DA.



Notes to the Financial Statements

For the Year Ended 31 December 2016

		2016 TZS '000	2015 TZS '000
9. COST OF SALES			
Distribution costs		8,124,669	11,259,770
Variable costs		138,707,282	133,941,226
Fixed production costs		25,855,937	25,478,788
Provision for obsolete and slow moving stock		(2,193,609)	(26,389)
		170,494,279	170,653,395
Included in cost of sales fixed production costs are:			
Staff costs	12	7,972,042	8,805,685
10. SELLING AND MARKETING COSTS			
Staff costs	12	949,948	862,282
Marketing, advertising and sales costs		2,437,972	1,380,283
Increase in provision for impairment of receivables		252,655	418,030
		3,640,575	2,660,595

		2016 TZS '000	2015 TZS '000
11. ADMINISTRATIVE COSTS			
Staff costs	12	6,968,327	6,567,632
Consultancy costs		3,867,692	3,187,679
Technical assistance		4,738,146	3,360,699
Rent, rates and hiring costs		2,167,621	1,405,870
Other administrative expenses*		9,485,854	5,723,869
Increase in other provision	22	-	326,803
		27,227,640	20,413,068
*Included in other administrative expenses are:			
Audit fees		119,316	217,198
Donations		69,717	36,736
Other costs; security, maintenance		3,119,445	3,503,264
Travelling cost		512,268	1,242,295
Legal fees		1,217,313	333,867
Impairment of spare parts		4,343,255	-
Directors' remuneration		104,540	94,600

Notes to the Financial Statements
For the Year Ended 31 December 2016

		2016 TZS '000	2015 TZS '000
12. STAFF COSTS			
<i>Staff costs under:</i>			
Cost of sales (Note 9)		7,972,042	8,805,685
Selling and marketing costs (Note 10)		949,948	862,282
Administrative costs (Note 11)		6,968,327	6,567,632
		15,890,317	16,235,599
<i>Staff costs is made up of:</i>			
Salaries and wages		7,828,124	7,430,227
Social Security Contribution		1,075,787	1,384,375
Payroll tax (SDL)	28	732,194	588,782
Post-employment and long service costs	27	1,162,521	1,376,785
Other employment costs and employee benefits*		5,091,511	5,455,430
		15,890,137	16,235,599
*Included in other employment costs and employment benefits is Pension contribution to endowment scheme, Staff bonus, stall allowances, canteen services, transport services and medical services.			
13. OTHER OPERATING EXPENSES			
Local government levies and taxes		1,952,268	893,433
Fixed assets write off		-	153,983
Property taxes		221,730	247,754
		2,173,998	1,295,170
14. FINANCE INCOME			
Interest income - Interest on short term bank deposits		803,917	912,014
		803,917	912,014

		2016 TZS '000	2015 TZS '000
15. FINANCE COSTS			
Interest on long term interest-bearing loans		-	18,099
Interest on short-term borrowing		143,145	130,971
		143,145	149,070
16. (a) GAIN ON FOREIGN CURRENCY TRANSLATION			
Exchange gain - realised		4,078,475	6,512,449
Exchange loss - realised		(1,068,693)	(4,780,879)
Sub-total		3,009,782	1,731,570
Exchange gain - unrealised		821,786	2,680,720
Exchange loss - unrealised		(920,893)	(1,255,518)
Sub-total		(99,107)	1,425,202
Net foreign exchange gain		2,910,675	2,992,820
(b) DEPRECIATION, AMORTISATION AND IMPAIRMENT			
Depreciation	17	16,928,111	19,066,374
Impairment	17	2,366,346	
Amortisation – Intangible Asset	18	956,634	165,794
Amortisation – Leasehold Land	19	27,846	26,045
		20,278,937	19,258,213



Notes to the Financial Statements

For the Year Ended 31 December 2016

17. PROPERTY, PLANT AND EQUIPMENT (PPE)

	Building and Roads TZS '000	Production machinery & equipment TZS '000	Other equipment TZS '000	Capital items in stock TZS '000	Capital work-in-progress (CWIP) TZS '000	Total TZS '000
Cost						
At 01 January 2015	45,552,315	202,316,906	15,206,422	1,328,103	7,787,969	272,191,715
Additions	-	76,365	712,483	150,722	5,567,010	6,506,580
Transfers	656,450	4,655,004	160,930	-	(5,472,384)	-
Write-offs	(25,085)	(502,491)	(1,622,305)	-	-	(2,149,881)
Disposals	-	-	(158,781)	-	-	(158,781)
At 31 December 2015	46,183,680	206,545,784	14,298,749	1,478,825	7,882,595	276,389,633
At 01 January 2016	46,183,680	206,545,784	14,298,749	1,478,825	7,882,595	276,389,633
Additions	-	-	-	223,851	4,253,316	4,915,053
Transfers	-	11,202,220	499,135	(102,381)	(11,598,974)	-
Disposals	-	-	(283,506)	-	-	(283,506)
At 31 December 2016	46,183,680	217,748,004	14,514,378	1,600,295	536,937	280,583,294
Accumulated depreciation						
At 01 January 2015	9,623,596	65,333,482	8,525,575	-	-	83,482,653
Charge during the year	1,870,084	14,512,498	2,683,792	-	-	19,066,374
Disposals	-	-	(75,230)	-	-	(75,230)
Write offs	(16,496)	(440,191)	(1,622,305)	-	-	(2,078,992)
At 31 December 2015	11,477,184	79,405,789	9,511,832	-	-	100,394,805
At 01 January 2016	11,477,184	79,405,789	9,511,832	-	-	100,394,805
Charge during the year	1,843,615	13,475,514	1,608,982	-	-	16,928,111
Disposal	-	-	(146,219)	-	-	(146,219)
Impairment	-	2,366,346	-	-	-	2,366,346
At 31 December 2016	13,320,799	95,247,649	10,974,595	-	-	119,543,043
Net carrying amount						
At 31 December 2016	32,862,881	122,500,355	3,539,783	1,600,295	536,937	161,040,250
At 31 December 2015	34,706,496	127,139,995	4,786,917	1,478,825	7,882,595	175,994,827

No property, plant and equipment has been pledged as collateral for liabilities. Capital work in progress balance relates to Gypsum deposits exploration costs and construction of Photovoltaic power plant.

Notes to the Financial Statements
For the Year Ended 31 December 2016

18. INTANGIBLE ASSET

Cost

At 01 January 2015

Additions

Write offs

At 31 December 2015

Accumulated amortisation

At 01 January 2015

Charge during the year

Write offs

At 31 December 2015

Carrying value at 31 December 2015

Cost

At 01 January 2016

Additions*

Transfers

At 31 December 2016

Accumulated amortisation

At 01 January 2016

Charge during the year

At 31 December 2016

Carrying value at 31 December 2016

Software TZS '000	Mining rights TZS '000	Work in progress	Total TZS '000
582,110	494,182	-	1,076,292
-	940,294	3,004,395	3,944,689
(42,354)	-	-	(42,354)
539,756	1,434,476	3,004,395	4,978,627
460,682	110,975	-	571,657
119,817	45,977	-	165,794
(42,354)	-	-	(42,354)
538,146	156,951	-	695,097
1,610	1,277,525	3,004,395	4,283,530
539,756	1,434,476	3,004,395	4,978,627
-	-	437,885	437,885
3,442,280	-	(3,442,280)	-
3,982,036	1,434,476	-	5,416,512
538,146	156,952	-	695,098
772,271	183,906	-	956,204
1,310,417	340,858	-	1,651,302
2,671,619	1,093,618	-	3,765,237

*Included in additions is the costs incurred for the SUN and EAM systems. This was completed during the year and the balance has been transferred to Software.



Notes to the Financial Statements

For the Year Ended 31 December 2016

19. LEASEHOLD LAND

	2016 TZS'000	2015 TZS'000
At 01 January 2016	1,175,851	1,201,896
Additions	-	-
	1,175,851	1,229,542
Less: Amortisation for the year	(27,846)	(26,045)
At 31 December 2016	1,148,005	1,175,851
Within one year	27,846	26,045
After one year	1,120,159	1,149,806
	1,148,005	1,175,851

Lease amount was paid upfront and amortised over the useful life. The remaining lease period for leasehold land is 76 years.

20. INVENTORIES

Raw materials, additives, consumables and spare-parts		73,790,540	59,589,464
Work - in - progress		3,296,794	8,062,327
Finished goods and goods for resale			
- Twiga Extra Cement		715,905	603,041
- Twiga Ordinary Cement		269,985	122,586
- Twiga Plus Cement		655,220	694,786
- Twiga Aggregate		331,315	342,921
- Twiga Jenga*		57,665	-
Less: Provision for obsolete stock	(a)	(11,121,997)	(13,315,607)
Provision for impairment of spare parts	(b)	(4,343,255)	-
		63,652,173	56,099,518

* Twiga Jenga is a new product introduced in December 2016, no sale was recorded during the year.

	2016 TZS'000	2015 TZS'000
(a) <u>Movement in provision</u>		
At 01 January	13,315,607	13,341,996
(Decrease)/Increase in provision	(b) (2,193,610)	(26,389)
At 31 December	11,121,997	13,315,607
(b) <u>Provision for obsolete and slow moving items</u>		
Release of provision	(2,193,610)	(26,389)
Increase in provision for obsolete and slow moving items	-	-
	(2,193,610)	(26,389)
Value of inventories expensed during the year	60,450,259	59,996,477

During 2016, none of the Company's inventories balances were pledged as security for liabilities.

(c) Management have made an assessment and impaired Kiln II, which will no longer be used in cement production. Both cost of assets sitting in kiln II and their related spare parts have been impaired. Impairment of Kiln II is a write down in Net Realisable Value of Spare parts and Net book value of property plant and equipment.

Value of property plant and equipment impaired	17	2,366,346	-
Value of spare parts impaired	20	4,343,255	-

Notes to the Financial Statements
For the Year Ended 31 December 2016

21 TRADE RECEIVABLES

	2016 TZS'000	2015 TZS'000
Trade Receivables	26,267,312	22,975,703
<u>Provision for impairment of receivables</u>		
At 01 January	(538,446)	(120,466)
Additional provision	(252,655)	(418,030)
Write off during the year	-	-
At 31 December	(791,151)	(538,446)
	25,476,160	22,437,257

As at year-end the ageing analysis of receivables was as follows:

Neither past due nor impaired	10,984,966	2,194,256
Past due but not impaired;		
31 - 90 days	10,239,333	13,580,847
91 - 180 days	2,255,309	6,662,154
181 - 360 days	1,996,553	-
Impaired	791,151	538,446
	26,267,312	22,975,703

Terms and conditions of the above trade receivables:

Trade receivables are non-interest bearing and are generally on 30 day payment terms. Provision policy excludes debtors backed by guarantees. As at 31 December 2016, trade receivables at initial value of TZS 252 million (2015: 418 million) were impaired and fully provided for and the movement in the provision for impairment of receivables is as shown above.

22 OTHER SHORT-TERM OPERATING RECEIVABLES

	2016 TZS '000	2015 TZS '000
Prepaid expenses	2,230,056	2,579,977
Other short term receivables:		
Staff loans and advances	267,694	222,895
Advances to suppliers	2,092,761	6,470,992
Other short term receivables*	1,752,180	2,954,298
	4,112,635	9,648,185
Gross debtors	6,342,691	12,019,739
<i>Less: Provision for impairment</i>	(744,188)	(417,385)
	5,598,503	11,483,974

Provision for impairment of other receivables

At 01 January	(744,188)	(417,385)
Charge during the year	-	(326,803)
At 31 December	(744,188)	(744,188)
Neither past due nor impaired	1,753,563	8,724,166
Past due but not impaired		
31 - 60 days	2,079,129	786,354
61 -180 days	-	-
180 - 360 days	1,765,811	1,973,454
	5,598,503	11,483,974

Terms and conditions of the above other receivables:

Staff loans and advances are non-interest bearing and are generally on 30 days terms. Advances to suppliers are non-interest bearing and are generally on 90 days terms. The balance at year end represent down payment to suppliers for upcoming deliveries and port clearing charges. Provision for impairment is done on case by case basis.

Other short term receivables consist of TZS 1.8 billion (2015: TZS 1.8 billion) deposit to Tanzania Revenue Authority as the requirement for filling objection regarding transfer pricing cases disclosed under note 35.



Notes to the Financial Statements

For the Year Ended 31 December 2016

	2016 TZS'000	2015 TZS'000
23 CASH AND BANK BALANCES		
Cash at bank - local currency	14,992,877	14,734,389
Cash at bank - foreign currency	8,162,227	22,420,194
Cash at hand	20,565	10,455
	23,175,669	37,165,038
The carrying amounts disclosed above reasonably approximate the fair values at the reporting date. The cash and cash equivalents position for the purpose of the statement of cash flow purposes is as follows:		
Cash and cash equivalents as above	23,175,669	37,165,038
Net cash and cash equivalent	23,175,669	37,165,038
24 SHARE CAPITAL		
AUTHORISED, ISSUED AND FULLY PAID UP		
179,923,100 Ordinary Shares of TZS 20 each	3,598,462	3,598,462
SHAREHOLDING		
Shareholder:	Number of Shares	Number of Shares
Scancem International DA	124,598,500	124,598,500
General Public	53,835,094	53,835,094
Wazo Hill Savings and Credit Cooperative Society	1,489,506	1,489,506
	179,923,100	179,923,100

	2016 TZS'000	2015 TZS'000
25 INTEREST BEARING LOAN		
10% long-term treasury loan	176,270	226,634
Current principal portion - Due within one year	(176,270)	(50,364)
Long-term principal portion - Due after one year	-	176,270
Current principal portion	-	50,364
Interest payable	5,021	4,921
Total current portion	5,021	55,285
After one year but not more than five years	-	176,270
More than five years	-	-
Non-current portion	-	176,270

The loan of initially TZS 1,082,822,619 was extended by the Government of the United Republic of Tanzania to the Company for the rehabilitation of the Company quarries under the SIDA import support programme during the financial year 1988/1989, 1989/1990 and 1990/1991. The loan carried interest rate of 10% per annum on the outstanding balance and was payable in semi-annual equal instalments of TZS 25,181,921 for a period of 20 years. The repayment of the loan commenced on 31 January 1999 and was payable up to 31 December 2019. The loan was not secured. The Company decided to repay the loan earlier as the amount outstanding was immaterial.

Notes to the Financial Statements

For the Year Ended 31 December 2016

26 TRADE AND OTHER PAYABLES

	2016 TZS'000	2015 TZS'000
Trade payables - third parties	13,104,184	9,531,239
Trade payables - intercompany	450,865	11,379,473
Advance received from customers	3,626,601	-
Accruals*	15,577,476	6,464,214
Short-term operating payables	2,811,002	5,084,821
Payables for payroll and related costs	208,223	13,954
	35,778,350	32,473,701

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled between 15 to 45 days after the invoice date.

- Other payables are non-interest bearing and have an average term of 30 day
- For terms and conditions relating to related parties, refer to Note 29.

Short term operating payables consist of indirect taxes payables.

*Accruals consist of costs for services rendered, but invoices have not been received, including electricity and natural gas costs.

27 EMPLOYMENT BENEFIT LIABILITIES

The Company contributes to a pension scheme administered by the Parastatal Pension Fund and a scheme administered by National Social Security Fund. In addition to that, the Company has an endowment scheme administered by the Jubilee Insurance Company of Tanzania Limited. These three schemes are defined contribution plans. The cost of the endowment scheme is fully met by the Company (See also note 5 Significant Accounting Judgements, estimates and assumptions - Pension Obligations). These are included under staff costs (Note 12)

The Company contributions during the year were as follows:

Endowment Scheme	611,070	590,312
PPF Pensions Fund	665,876	465,605
National Social Security Fund (NSSF)	409,911	344,868
	1,686,857	1,400,785

In addition to the three defined contribution schemes above, the company has entered into a voluntary agreement with Tanzania Union of Industrial and Commercial Workers (TUICO) of Tanzania Portland Cement Company to provide end-of-service benefits to employees reaching retirement age. The retired employee is paid based on the length of service. Also, the voluntary agreement provides for long-service awards paid in bags of cement throughout the employment (every five years). The end-of-service benefit scheme is reported as post-employment benefit, while the long-service award is reported as other long-term benefits. The cost of both is fully met by the Company and the plans are administered by the management of the Company.

Directors are of the opinion that the unfunded defined benefit obligation does not expose the company to significant company specific or plan specific risk. There are no modifications/amendments to the defined benefit plans that resulted from either statutory (labour law) or any other negotiations with employees union that would result into the past service cost being recognised in profit or loss.

The amounts recognised in the statement of financial position are as follows:

	2016 TZS '000	2015 TZS '000
Present value of unfunded obligations	3,882,298	5,588,799
Net liability recognised in statement of financial position	3,882,298	5,588,799
Post-employment benefit	3,591,909	5,098,306
Other long-term benefits	290,389	490,493
	3,882,298	5,588,799



Notes to the Financial Statements

For the Year Ended 31 December 2016

	2016 TZS '000	2015 TZS '000
The amounts recognised in profit or loss and OCI are as follows:		
Current service cost	251,891	331,491
Interest on obligation	910,631	807,932
Past service cost	-	237,362
Expense recognised in profit or loss	1,162,521	1,376,785
Actuarial losses on defined benefit plan:		
Post-employment benefit	1,723,809	719,877
Other long-term benefits	(114,734)	(684,092)
Expense recognised in OCI	1,609,075	35,785
Changes in the present value of the employment benefits are as follows:		
Post-employment benefits		
Opening balance (end-of-service benefits)	5,098,306	4,195,226
Current service costs	231,474	292,833
Past service costs	-	67,562
Interest cost	830,095	661,761
Benefits payments	(1,745,322)	(838,953)
Plan settlements	(2,546,453)	-
Actuarial losses	1,723,809	719,877
Closing balance (end-of-service benefits)	3,591,909	5,098,306

	2016 TZS '000	2015 TZS '000
Other long-term benefits		
Opening balance (long-service awards)	490,494	931,973
Current service costs	20,417	38,659
Past service costs	(123,283)	169,801
Interest cost	80,535	146,171
Benefits payments	(63,040)	(112,018)
Actuarial (gains)/losses	(114,734)	(684,092)
- Sub-total: change in provision for other long-term benefits	(85,371)	242,613
Closing balance (long-service awards)	290,389	490,494
Total amount of obligation	3,882,298	5,588,800

Expected benefit payments

	Expected benefits payments		Expected contributions	
	2016 TZS '000	2015 TZS '000	2016 TZS '000	2015 TZS '000
In the following year	1,007,908	1,362,374	44,865	123,026
In current year +2	875,786	1,485,743	97,310	141,078
In current year +3	117,235	987,907	13,026	89,730
In current year +4	755,146	551,086	83,905	63,794
In current year +5	545,331	1,095,751	60,592	96,735
In current year +6 and > (in aggregate)	3,698,496	4,054,501	410,944	415,082

Notes to the Financial Statements

For the Year Ended 31 December 2016

Significant actuarial assumptions

	2016 TZS '000	2015 TZS '000
Discount rate at 31 December	17.75%	16.75%
Future annual salary increases	6%	6%
Interest/inflation rate	5%	5%
Average duration of the obligation	15years	15 years

Sensitivity analysis

The assumptions with the greatest impact on the results are:

Discount +1%	3,732,298	5,414,767
Discount -1%	4,046,061	5,776,383
Interest +1%	752,044	1,052,416
Interest -1%	756,526	1,074,094

Sensitivity figures above are based on changes expected in one year. Inflation is expected to be stable. The amounts shown under discount represent the value of the obligation after changing the assumption on statement of financial position while the amounts under interest cost shows the value of expense after changing the assumption.

Membership statistics

Active members		
Headcount	278	303
Average age	42.24	43.41
Average future service	4.66	5.72
Average annual pensionable salary	21,932	19,948

The scheme has no retired or inactive members.

28 OTHER STATUTORY PAYROLL REMITTANCES

Other statutory payroll remittances include Pay As You Earn (PAYE), Skills and Development Levy (SDL) and Workers Compensation fund (WCF). PAYE and SDL are payable by the Company to the Tanzania Revenue Authority (TRA) in accordance with the Income Tax Act. The amounts charged to profit or loss in the year in respect of SDL and WCF remittances are:

	2016 TZS'000	2015 TZS'000
Skill and Development Levy	732,194	588,782
Workers Compensation	108,080	-

The amount deducted from the employees' salaries and wages in the year in respect of PAYE is:

Pay As You Earn	4,448,106	3,720,816
-----------------	-----------	-----------

At year-end the following amounts were outstanding and were payable to TRA. The amounts are included in trade and other payables as at year end and were subsequently remitted after year-end.

Skill and Development levy	27,970	25,657
Pay As You Earn	-	187,613



Notes to the Financial Statements

For the Year Ended 31 December 2016

29 RELATED PARTY TRANSACTIONS

The Company's ultimate holding Company is HeidelbergCement AG - Germany and immediate holding Company is Scancem International DA - Norway.

During the year, the Company entered into transactions with Scancem International DA of Oslo, Norway which owns an equity stake of 69.25% in the Company. HC Trading, Interlac, CimBenin, Cimenterie de Lukala and Scan Togo are sister companies to the Company. The Company imports raw materials, machinery, spare parts and services from/through the holding company. The Company's purchases during the year were as follows:

	2016 TZS'000	2015 TZS'000
a) Related party transactions		
- Scancem International DA (Holding Company)	20,393,231	33,013,575
Purchase of services:		
- Scancem International DA (Holding Company)	3,728,078	3,360,699
- Cimenterie CBR (Sister Company)	-	347,932
- Heidelberg Cement AG (Ultimate Holding Company)	-	543,284
Total amount traded	24,121,309	37,265,490
b) Related party balances		
Trade payables - Scancem International DA (Holding Company)	1,029,104	10,349,554
- HeidelbergCement AG (Ultimate holding Company)	118,260	681,987
- Cimenterie CBR (Sister Company)	-	347,932
	1,147,364	11,379,473

	2016 TZS'000	2015 TZS'000
c) Related party transactions (Sale of goods and services)		
- Austarl Cimentos Sofala SA (Sister Company)	2,732	-
- Interlac (Sister Company)	1,663,967	535,885
d) Other receivables - Cimenterie de Lukala (Sister Company)	-	4,398
- CimBenin (Sister Company)	-	1,865
- Austarl Cimentos Sofala SA (Sister Company)	2,732	-
- Interlac (Sister Company)	1,049,963	-
	1,052,695	6,263

Terms and conditions of transactions with related parties:

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. The balances are due on demand. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

For the year ended 31 December 2016, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2015: Nil). This assessment is undertaken each financial year through examining the financial position of the related parties and the market in which the related parties operate.

Notes to the Financial Statements
For the Year Ended 31 December 2016

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 Company.

	2016 TZS '000	2015 TZS '000
Short-term employee benefits (Salaries and allowances)	3,696,769	3,360,699
Post-employment benefits (defined contribution plans)	412,080	343,400
	4,108,849	3,375,372

No terminal or other term benefits were paid to key management personnel during the year (2015: Nil).

- As at year-end, there was no outstanding amount with key management personnel.

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

30 TAX

i) Income tax expense

	2016 TZS '000	2015 TZS '000
Current income tax charge	19,775,366	25,017,453
Under-provision from previous years taxes	99,846	-
Deferred income tax credit	(2,254,468)	(410,867)
	17,620,744	24,606,586

ii) Reconciliation of tax expense to tax based on accounting profit:

Accounting profit before taxation	57,458,536	80,853,093
Tax applicable rate of 30% (2015: 30%)	17,237,561	24,255,928
<i>Tax effect on non-taxable/non-deductible items</i>		
Disallowable expenses for tax purposes	283,337	328,470
Under-provision from previous years taxes	99,846	
Adjustments in respect of current income tax of previous years - recognition of past service costs	-	22,188
Income tax expense	17,620,744	24,606,586



Notes to the Financial Statements

For the Year Ended 31 December 2016

	2016 TZS '000	2015 TZS '000
iii) Deferred income tax		
Accelerated depreciation for tax purposes	108,811,292	113,494,403
Provisions for post-employment and other long term benefits	(2,273,222)	(931,973)
Write-down of Inventory to Net realisable value	(15,465,253)	(13,315,607)
Actuarial losses on employee benefits obligation	(1,609,075)	(4,231,008)
Other provisions including unrealized exchange gains/losses	(1,022,012)	2,975,703
	88,441,730	97,565,699
Deferred income tax liability thereon at 30%	26,532,519	29,269,710
Less: Opening deferred tax liability	(29,269,710)	(29,691,312)
Deferred income tax charge	(2,737,191)	(421,602)
Deferred income tax credit to profit	(2,254,468)	(410,867)
Deferred income tax credit to other comprehensive income	(482,723)	(10,735)
	(2,737,191)	(421,602)
iv) Current income tax (recoverable)/payable		
Tax payable brought forward	2,608,582	(419,772)
Tax charge for the year	19,875,212	25,017,453
Tax payments during the year	(24,132,926)	(21,989,099)
Current income tax (recoverable)/payable	(1,649,132)	2,608,582

31 QUARRY RESTORATION PROVISION

Provision for quarry site restoration is made annually based on the expected cost to be incurred to rehabilitate quarry sites. The provision is based on the expert costing of the expected costs. Any increase/ (decrease) in the provision is recognised in other operating expenses.

	2016 TZS '000	2015 TZS '000
At 1 January	2,559,677	1,784,217
Provision for the year	813,295	775,460
Provision used during the year	-	-
At 31 December	3,372,972	2,559,677

The key assumptions used in determining the provision are:

The cost will be incurred in USD

- The estimated cost is USD 0.2 per ton of material mined from the quarry site.
- The applicable discount rate equals 17.75% which fairly approximates to the market rate.
- The expected timing of the provision is to be utilised in two years.

The provision amounts have not been discounted to their present values as the time value of money is considered immaterial.

32. EMPLOYEES

The number of employees at the end of the year was 280 (2015: 313).

33. DIVIDEND PER SHARE

Dividends relating to the profit for the year ended 31 December 2015 of TZS 100 per share (totalling TZS 17.99 billion) were paid as final dividend in June 2016. The Directors recommend payment of TZS 10.80 billion (TZS 60 per share) to shareholders as final dividend for 2016, this will be approved in the annual general meeting and paid in 2017.

Notes to the Financial Statements

For the Year Ended 31 December 2016

34. DIVIDEND PAYABLE

Dividend payable as at year end comprises of:

	2016 TZS '000	2015 TZS '000
- Scancem International DA	10,653,172	13,138,912
- Third party	8,068,298	8,865,099
	18,721,470	22,004,011

35. COMMITMENTS AND CONTINGENCIES

Capital commitment

No major capital commitment during the year.

Operating lease commitment - Company as lessee

The Company has entered into commercial lease of land for limestone extraction and the factory area. Limestone extraction occupies approximately 80% of the lease area. The lease has an average life of 77 years. Amount of rental per annum is agreed annually and rent is paid on annual basis. The lease is renewable on expiry. Rental expense disclosed below excludes portion of leased land occupied by limestone quarry.

	2016 TZS '000	2015 TZS '000
Rental expenses recognised during year	52,500	52,500
Within one year	52,500	52,500
After one year but not more than five years	157,500	210,000
More than five years	3,570,000	3,780,000
	3,780,000	4,042,500

Operating lease commitment - Company as lessor

The Company has entered into commercial lease of land for use by different telephone companies. The lease has an average life of 5 years. At 31 December 2016, the Company had not received any advances for rent. Rent is received on annual basis.

	2016 TZS '000	2015 TZS '000
Rental income recognised during year	49,501	38,115

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

Within one year	49,501	38,115
After one year but not more than five years	102,959	152,460
	152,460	190,575

Guarantees and other financial facilities

The Company had the contractual amounts of bank financial instruments that commit it to extend credit to customers, guarantees and other facilities as follows:

Guarantees and standby letters of credit	16,325,000	16,800,500
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Legal claims

Contingent liabilities relate to several court cases on land trespassing, alleged unfair termination of employment contracts and breach of business contracts all amounting to TZS 479 million (2015: TZS 600 billion).

The Company has been advised by its legal counsel that it is only possible, but not probable, that the action will succeed and accordingly no provision for any liability has been made in these financial statements.



Notes to the Financial Statements

For the Year Ended 31 December 2016

Tax assessment

The Company received in December 2007 an adjusted tax assessment for 2004 amounting to TZS 122.4 million. The Company filed an objection against this assessment in early 2008. The Tanzania Revenue Authority (TRA) also carried out a tax audit of the years 2005 and 2006. TRA issued its external audit report on 18 December 2008. TRA and the Company are in agreement on all major issues raised in the report with one notable exception; the allegation that transactions between the Company and its related party, Scancem International DA, have not been carried out at arm's length. In mid-March 2009, TRA issued assessments amounting to a total of TZS 9.0 billion (transfer pricing of TZS 6.7 billion; VAT of TZS 2.3 billion).

The Company filed objections to these assessments in April 2009 after having deposited the required 1/3 of the disputed assessments (Note 22). In 2012 the TRA revised its assessment on transfer pricing to TZS 0.5bn and VAT to TZS 1.2bn. In 2013 the Company agreed to pay the VAT liability of TZS 1.2bn, this amount was recognised as an expense in 2013. The Company has filed objections to the revised assessment on transfer pricing. The objection is still pending with TRA. The disputed tax assessments (including the deposits) are not reflected in the net results for 2008 to 2016. Only the 1/3 deposit made in line with the law is reflected in the statement of financial position and classified as a short-term receivable.

36. EARNINGS PER SHARE

	2016 TZS	2015 TZS
Profit attributable to ordinary equity holders	39,837,793,000	56,246,507,000
Weighted average number of ordinary shares	179,923,100	179,923,100
Basic and diluted earnings per share (TZS)	221.31	312.61

- Basic earnings per share is calculated on the profit after tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.
- Diluted earnings per share is calculated on the profit after tax attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding after adjustment of dilutive potential ordinary shares.

- The basic and diluted earnings per share are the same as there are no convertible instruments or other dilutive shares.

37. SEGMENT REPORTING

The Company's main product currently is cement which is produced in two grades. The majority of revenue is therefore derived from sale of cement (as disclosed in note 7) and the Board of Directors relies primarily on revenue from sale of cement to assess the performance. The Company started the aggregate business in the last quarter of 2015 but only less than 1% of the operating results were from this business for this reporting period.

The Company is organised into one single business unit for management purposes. Management monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and performance assessment.

The revenue from external parties is measured in a manner consistently with that in the Statement of Comprehensive Income. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the financial statements. The Company's operations are in Tanzania. No single customer contributes revenue amounting to more than 10% of the Company's revenue. All the Company's non-current assets are located in Tanzania.

38. EVENTS AFTER THE REPORTING DATE

There were no events after the reporting date which requires adjustment or disclosure in the financial statements.

39. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise of trade and other payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables, short-term deposits and cash and cash equivalents, which arise directly from its operations. The main risks arising from the Company's financial instruments are, liquidity risk, foreign currency risk and credit risk.

The board reviews and agrees policies for managing each of these risks as summarised below.

Notes to the Financial Statements

For the Year Ended 31 December 2016

a. Treasury risk management

The Company operates a treasury function to provide competitive funding costs, invest and monitor financial risk. The Company does not use derivative financial instruments for speculative purposes and for managing financial risk.

b. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk is managed at an operational level and monitored by the Finance Division. Exposure to losses from foreign liabilities is managed through prompt payment of outstanding liabilities.

The following table demonstrates the sensitivity to possible changes in the exchange rate between the Tanzanian Shilling and foreign currencies (mainly US dollar, other currencies are considered to be immaterial), with all other variables held constant, of the Company's profit before tax (due to changes in carrying amount of monetary assets and liabilities).

	Increase/ decrease in the value of TZS vs. USD	Effect on profit before tax TZS'000	Effect on PAT TZS'000
Net effect based on the year end as at 31 December 2016	+10%	378,347	378,347
	-10%	(378,347)	(378,347)
Net effect based on the year end as at 31 December 2015	+10%	1,318,054	1,318,054
	-10%	(1,318,054)	(1,318,054)

The sensitivity analysis has been determined based on the net exposure as at 31 December 2016. The change of 10% is what is used when determining the net foreign currency transaction risk reported internally to key management personnel to assess reasonably possible change in foreign exchange rates.

The various currencies to which the Company is exposed at 31 December are summarised below:

At 31 December 2016

Financial assets

Trade and other receivables
Cash and cash equivalents

Financial liabilities

Trade and other payables

Net exposure

At 31 December 2015

Financial assets

Trade and other receivables
Cash and cash equivalent

Financial liabilities

Trade and other payables

Net exposure

	Exposure in EURO	Exposure in USD	Total in function currency TZS'000
At 31 December 2016			
Financial assets			
Trade and other receivables	-	2,587,919	2,587,919
Cash and cash equivalents	1,665	8,160,562	8,162,227
	1,665	10,748,481	10,750,146
Financial liabilities			
Trade and other payables	-	6,966,676	6,966,676
	1,665	3,781,805	3,783,470
At 31 December 2015			
Financial assets			
Trade and other receivables	-	2,924,154	2,924,154
Cash and cash equivalent	12,692	22,412,956	22,425,648
	12,692	25,337,110	25,349,802
Financial liabilities			
Trade and other payables	635,548	11,533,712	12,169,260
	(622,856)	13,803,398	13,180,542

Exchange rates applicable were as follows:

	TZS:EURO	TZS:USD
On 1 January 2016	2,416	2,224
On 31 December 2016	2,364	2,248
On 1 January 2015	2,141	1,770
On 31 December 2015	2,416	2,224



Notes to the Financial Statements

For the Year Ended 31 December 2016

c. Credit risk management

Potential concentration of credit risk consists principally of short term cash and trade debtors. The Company deposits short term cash surpluses only with banks of high credit standing. Trade debtors are presented net of allowance for doubtful debts. For the majority of customers, including export clients, full upfront payment is demanded. With few exceptions, credit customers are secured by guarantees issued by reputable banks and the Company does not hold other collateral in respect to financial assets. Accordingly, the Company has no significant concentration of credit risk that has not been adequately provided for.

Maximum exposure to credit risk

	Notes	2016 TZS'000	2015 TZS'000
Trade receivables	21	25,476,160	22,437,257
Other short-term financial assets	22	4,112,635	9,648,185
Bank balances	23	23,175,669	37,165,038
		52,764,464	68,913,222

As at year-end, the credit risk arising from trade receivables is mitigated by bank guarantees issued by the bank in respect of customers as presented in Note 35.

Analysis of credit risk mitigation:

Trade receivables	21	25,476,160	22,437,257
Bank guarantees	35	(16,325,000)	(16,800,500)
Unguaranteed trade receivables		9,151,160	5,636,757

No collateral is held for any of the above assets. Furthermore, the Company does not grade the credit quality of receivables. All the receivables that are neither past due or impaired are within their approved limits and no receivables have had their terms renegotiated.

d. Liquidity risk

The Company manages its liquidity risk through generation of enough revenue which is sufficient to cover its working capital needs for the foreseeable future. Cash flows are undiscounted contractual cash flows.

Notes to the Financial Statements
For the Year Ended 31 December 2016

(e) Liquidity risk (Continued)

At 31 December 2016

	On demand TZS '000	Less than 3 months TZS '000	3 to 12 months TZS '000	2 to 5 years TZS '000	Over 5 years TZS '000	Total TZS '000
Financial liabilities						
Interest-bearing loans	-	5,021	-	-	-	5,021
Trade and other payables	208,223	35,569,215	-	-	-	35,777,438
Dividend payable	18,721,471	-	-	-	-	18,721,471
	18,929,694	32,464,199	-	-	-	54,503,931

At 31 December 2015

Financial liabilities

Interest-bearing loans	-	39,032	42,808	256,225	(117)	337,948
Trade and other payables	48,534	32,425,167	-	-	-	32,473,701
Dividend payable	22,004,011	-	-	-	-	22,004,011
	22,052,545	32,464,199	42,808	256,225	(117)	54,815,660

The amount for interest-bearing loans as at 31 Dec. 2016 refers to only portion of interest payable on a past loan whose whole principal amount has already been paid. As such this amount equals the balance of the loan recorded on the balance sheet since no interest is applicable.

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing creditors.

(f) Fair value measurements

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

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

- Interest bearing loan: The interest rate charged on the loan is in line with market interest rates charged on similar loans and the Company's default risk is remote.



Notes to the Financial Statements

For the Year Ended 31 December 2016

(g) Capital management

The primary objective of the Company's capital management is to maximise shareholder value. In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. There have been no breaches in the financial covenants of any interest-bearing loans in the current period.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 35%. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

	Notes	2016 TZS '000	2015 TZS '000
Financial liabilities less cash and cash equivalents			
Interest bearing loans	25	5,021	231,555
Trade and other payables	26	35,777,439	32,459,747
Cash and cash equivalents	23	(23,175,669)	(37,165,038)
		12,606,791	(4,473,736)
Net debt			
Equity		197,193,471	213,903,961
Capital and net debt		209,800,262	209,430,225
Gearing ratio		6%	-2%



HEIDELBERGCEMENT Group

PROXY FORM

For use at the Annual General meeting of
Tanzania Portland Cement Company Ltd.



I/ We

of (Address) a shareholder/ shareholders of
Tanzania Portland Cement Company Ltd, hereby appoint (note1)

.....

of (Address)

as my/our proxy to vote for me/ us on my/ our behalf at the Annual General Meeting of the Company to be held at

Serena Hotel
Dar es Salaam

Marquee Conference Hall

Date: 28 May 2017

Time: 10:00am to 12:00 noon

and at any adjournment thereof

Signature (Notes 1 & 2) Dated

Notes:

1. If the appointor is a corporation, this proxy form must be executed under its seal or under the hand of an officer or attorney so authorised to sign the same in that behalf.
2. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be quoted in this proxy form.

Form to be returned to:

The Corporate Actions Manager

CAD Securities Limited

2nd Floor, Office 215, Ubungo Plaza Building

P.O. Box 11488, Dar-es-salaam

Tel. No. +255 779 303030

Email: judith@cadsecurities.com or neema@cadsecurities.com





HEIDELBERGCEMENT Group

FOMU YA MWAKILISHI

Kwa matumizi kwenye Mkutano Mkuu wa mwaka wa
Tanzania Portland Cement Company Ltd.

Mimi/ Sisi

wa S.L.P. nikiwa mwanachama/ wanachama
wa Kampuni ya Tanzania Portland Cement Company Ltd, namchagua (Zingatia 1)

.....
wa S.L.P.
kama mwakilishi wangu/ wawakilishi/ wetu kupiga kura kwa ajili yangu/ yetu na kwa niaba yangu/ yetu katika
Mkutano Mkuu wa Mwaka utakaofanyika.

Serena Hotel
Dar es Salaam

Ukumbi wa Marquee

Tarehe: 28 Mei 2017
Saa: Nne asubuhi - Sita mchana

au huu Mkutano ukiirishwa, katika huo Mkutano ulioirishwa

Sahihi (Zingatia 1 na 2) Tarehe

Zingatia Yafuatayo:

1. Ikiwa mteuzi ni shirika au kampuni, fomu hii ni lazima iwe na muhuri wa moto wa kampuni husika na ipitishwe kwa maafisa wa kampuni, wakili au kwa mtu aliyeidhinishwa kutia saina nyaraka kwa niaba ya kampuni.
2. Ikiwa hisa zinamilikiwa na zaidi ya mtu mmoja, sahihi ya mwanahisa mmoja inakubalika endapo majina ya wamiliki wote wa hisa yameorodheshwa kwenye fomu ya uwakilishi.

Fomu irudishwe kwa:

Katibu - Meneja Utendaji wa Kiofisi

CAD Securities Limited
Ghorofa la Pili, Ofisi 215, Jengo la Ubungo Plaza
S. L. P. 11488, Dar-es-salaam
Simu Namba. +255 779 303030
Barua Pepe: judith@cadsecurities.com au neema@cadsecurities.com

