TANZANIA PORTLAND CEMENT PUBLIC LIMITED COMPANY

ANNUAL REPORT
AND
AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENTS

REPORT BY THOSE CHARGED WITH GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present their report and the audited financial statements for the financial year ended 31 December 2023 which disclose the state of affairs of Tanzania Portland Cement Public Limited Company ("the Company" or "TPCPLC").

1. INCORPORATION

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

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 high-quality products and services at an affordable price.

4. COMPANY OPERATIONS

Principal Activities

The Company's principal activity during the year was manufacturing cement at its plant at Tegeta–Wazo Hill, Dar Es Salaam, Tanzania and selling cement both inside and outside Tanzania.

5. ECONOMIC AND MARKET ENVIRONMENT

Economic Environment

Throughout 2023, the worldwide economy experienced a substantial decline in comparison to the previous year. Numerous nations saw a notable increase in energy and fuel prices due to geopolitical tensions such as the Russia-Ukraine conflict, which also caused a surge in global food prices and caused supply chain issues.

Tanzania saw annual average inflation for 2023 improved to 3.8% compared to the previous year's average of 4.3% explained by a rebound in the tourism sector, gradual improvement in supply chains and reforms to support economic activities, as well as the annual GDP growth for the quarter ending September 2023 has improved to 5.3% compared to 3.6% for the quarter ending Dec 2022.

Market Environment

Tanzania's cement market operates within a dynamic environment with more cement manufacturer capacities compared to available market demand.

Tanzania's construction sector has witnessed consistent growth due to increased construction activities. The government's emphasis on infrastructure development has fuelled demand for cement products. Despite the growth, the cement market remains fiercely competitive.

The last quarter of 2023 saw a contraction in the cement market. Factors contributing to this decline include weather conditions and broader economic challenges. However, recovery is expected in 2024, as construction activities continue to pick up.

Operational Environment

Within the operational sphere, TPCPLC faces high production costs mainly in energy costs which constitute a significant portion of production expenses, the escalating prices for raw materials further strain profitability.
The regulatory operation framework is continuing to evolve with more topics in the pipeline, we continue to work closely with various authorities to ensure full compliance and resolutions.

6. BUSINESS MODEL

As a major cement producer in the country, TPCPLC has a strong sales record. Our products cater to the increasing demands for housing, transportation, and economic development in Tanzania and East Africa by supporting the construction of residential, commercial, and industrial facilities. We are also committed to achieving carbon neutrality in cement manufacturing and are working towards sustainable and intelligent cement technologies while offering digital solutions to our customers.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

6. BUSINESS MODEL *Continued*

Our business model covers the entire value chain from the extraction of raw materials to the processing of cement and distribution to customers. Our operations are supported by Central Competency Centers for Technology, which are owned by our main shareholder. We carry out geological exploration of raw material reserves, assess environmental impact, extract raw materials, rehabilitate extracted areas, and produce cement as part of our operational processes.

Products

Cement is our core product. We classify our high-quality cement based on its early and final strength and composition. Our clients for our top-notch cement range from regular constructions and government infrastructure projects to producers of ready-mix concrete, and the general public through our distributorship network. Our cement products are packaged in bags, big bags, and bulk.

In simple terms, below is the list of our top-notch products;

a. Twiga Ordinary (CEM I 42.5 N). Suitable for high-quality concrete, and overall building of large buildings, dams, and bridges.
b. Twiga Plus+ (CEM II B-M 42.5 N). Suitable for building blocks, large and medium-sized buildings, dams and bridges, etc.
c. Twiga Extra (CEM II B-L 32.5 R). Suitable for the overall building of houses and block making etc.
d. Twiga Super (CEM II B-L 32.5 N). Suitable for the improvement of soil binding strength, most especially road constructions, etc.
e. Twiga Jenga (MC 22.5 X). Suitable for installation of tiles, minor house improvements, building blocks, etc.
f. Twiga Mega (CEM III/B-SR 42.5N). Low-heat cement suitable for mass concrete applications

The significance of integrating sustainability into the business model

We aim to make a significant impact in reducing the environmental impact of our business operations and decreasing our carbon footprint. As one of the leading cement manufacturers in the country, we acknowledge our responsibility to lead the way in driving sustainable practices across the industry. Our goal is to contribute significantly towards sustainable cement production and achieving carbon neutrality through prioritizing social and environmental responsibility as well.

Climate protection is an essential element of our business strategy to achieve our objective. We understand that cement production generates a significant amount of CO2 due to the chemical processes required for clinker burning, which is why we are increasing our use of alternative raw materials and fuels to reduce CO2 emissions.

We are also working to optimize our production processes to increase energy efficiency while promoting circularity and a strong circular economy to reduce the consumption of primary raw materials. At the product level, we prioritize low-carbon cement compositions, the use of recycled materials, and the adoption of new technologies to support our goal of achieving carbon neutrality.

External factors of influence

Apart from weather conditions and economic and population growth, the operational and economic development of TPCPLC is primarily impacted by fluctuations in energy and raw material prices in both local and global markets, changes in the regulatory environment, and competition within the markets where we operate.

Digitalisation

Digitalisation – including digital products and applications plays a crucial role throughout our entire value chain, from raw materials mining, production, and logistics to the final interaction with our customers. TPCPLC has set itself the target of becoming the leading tech company in the cement industry. We aim to use digital solutions to contribute to Company growth and increase efficiency in production and administration. Our digital transformation strategy in sales is to cover more than 75% of our sales volume via digital interfaces to customers (customer portal app) in 2023.

Corporate Portfolio

Our customer portfolio is diversified, including both developed and growth markets, and we consider it to be a strength. We aim to simplify the portfolio through active management and prioritize the strongest market positions based on defined financial and non-financial criteria.

We plan to expand our presence in markets with growth potential, while also vertically integrating along the value chain in markets where we can achieve strong synergy effects and strengthen our positions. Furthermore, we will continue to invest in sustainability and digitalization, which we see as transformative areas, and expand our portfolio in these areas.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

6. BUSINESS MODEL *Continued*

Value creation for our shareholders

To achieve sustainable value and measure our business success, we have established key performance indicators that are relevant for management. These include the result of the current operation (RCO), return on invested capital (ROIC), and net CO_2 emissions. In addition, we also use revenue development, the result of the current operation before depreciation (RCOBD) margin, and leverage ratio as supporting information.

To evaluate and achieve our strategic goals, we have implemented a value-oriented management system. This system involves annual operational planning, management and control throughout the year, monthly management meetings, and regular departmental meetings.

We employ a comprehensive system of standardized reports to manage and control the company throughout the year. These reports cover TPCPLC's assets, cash position, and earnings position, with the indicators used being uniform throughout the company. Weekly reports on cash inflow and outflow are prepared, and monthly reports cover operating profit, production, and maintenance.

Detailed financial reports are provided at the end of each month and quarter. During quarterly management meetings, TPCPLC's key management personnel and main shareholder's cluster managers discuss business developments, including target achievement, the outlook for the fiscal year, and any necessary measures based on TPCPLC's quarterly forecasts.

Research and development

TPCPLC's research and development (R&D) efforts aim to create innovative products, develop new product formulations, and improve processes to lower energy consumption, conserve resources, strengthen the circular economy, reduce CO_2 emissions and costs, and enhance customer satisfaction.

Research and development activities at TPCPLC can be divided into three main areas of focus:

a. Advanced automation solutions development: Utilizing artificial intelligence, we seek to reduce energy consumption, maintain equipment in optimal condition, and ensure consistent product quality.

b. Carbon footprint reduction through cement development: We are working on composite cement with lower clinker content. This is the most crucial step in reducing energy consumption and CO_2 emissions during production, while also helping to preserve natural resources.

c. CO_2 reduction technology development: We aim to increase the use of biomass fuels and are currently exploring more stable sources for this purpose.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

7. OPERATIONAL PERFORMANCE

TPCPLC outlook in numbers

Figures in TZS Millions	2023	2022	Change%
Income statement			
Revenue	490,172	501,369	-2.2%
Operating profit	141,433	138,214	+2.3%
Profit for the financial year	99,184	97,359	+1.9%
Earnings per share (TZS)	551	541	+1.9%
Dividend per share (TZS)	390	390	0.0%
Investments in Tangible Assets & PPE	11,966	14,611	-18.1%
Depreciation and amortisation	21,819	20,645	+5.7%
Balance sheet			
Non-current assets	138,555	149,032	-7.0%
Current assets	307,132	269,861	+13.8%
Equity	328,557	299,738	+9.6%
Non-current liabilities	20,706	20,420	+1.4%
Current liabilities	96,424	98,734	-2.3%
Balance Sheet Total	445,687	418,893	+6.4%
Ratios			
Operating Income (OI) Margin	28.9%	27.5%	+1.4%
Return on total assets before taxes 1)	31.5%	32.7%	-1.2%
Return on equity2)	30.2%	32.5%	-2.3%
Return on revenue3)	20.2%	19.4%	+0.8%
Non-Financial Figures:			
Number of employees at year end	257	260	-1.2%

Extensive operating results information is found from page 25.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

7. OPERATIONAL PERFORMANCE *continued*

Revenue and results

Clinker production in 2023 remained similar to 2022. However, cement production declined by 12% compared to 2022 contributed by a similar decline in sales volumes. We are committed to continued improvement and maintenance of machines to ensure optimal production capacities.

The turnover also declined from TZS 501.4 billion to TZS 490.2 billion in 2023, a decline of 2%. This is attributed to the overall shrinkage in the cement market growth especially in the last quarter of 2023 and increasing fierce competition. The cost of sales improved by 1% compared to 2022, mainly as a result of overall improvements made by continued cost optimizations, and reduction in production due to lower sales volumes.

Despite the decline in sales compared to the previous year, TPCPLC attained an improvement of 2% in the operating profit for the year compared to the previous year (2023: TZS 141.4 billion compared to 2022: TZS 138.2 billion). The profit for the year was TZS 99.2 billion (2022: TZS 97.4 billion). Total comprehensive income amounted to TZS 99. billion (2022: TZS 97.7 billion).

The Board of Directors will propose to the shareholders a dividend distribution of TZS 390 per share (2022: TZS 390 per share).

Cash flow position

Despite the challenging market environment and in the context of the significantly higher prices for energy and raw materials and challenging lead times compared with the previous year, the cash inflow from operating activities in the 2023 financial year was above the level of the previous year at TZS 95.6 billion (2022: TZS 79.2 billion), an improvement of TZS 16.4 billion. The improvement in cash flow from operating activities was mainly attributed to improvements in working capital compared to the previous year.

With the attainment of a net change in cash of TZS 18.5 billion (2022: TZS 9.6 billion), our cash and cash equivalent balance grew from TZS 105.5 billion to TZS 131.4 billion.

Earnings anticipation

We anticipate a modest growth in cement revenue in 2024, even though there is a projected uneven increase in the costs of raw materials, consumables, and supplies as well as a moderate increase in other operating expenses, we expect the operating results for the financial year 2024 to be slightly better than 2023 following expected improvement in market conditions compared to the previous year.

8. FUTURE PROSPECTS OF THE COMPANY

The cement market in Tanzania and the East African region has been growing steadily over the past years. TPCPLC has invested in expanded capacity, rehabilitated old clinker lines, and identified strategic sources of raw materials to secure its operations. Additional focus continues to be placed on projects that will reduce CO2 emissions through the utilization of biomass and alternative energy sources in burning clinker.

The Alternative fuels project, completed in 2022, is supporting TPCPLC to progress further towards becoming a carbon-neutral company through improving alternative fuel consumption, thus reducing our CO2 footprint in the environment. The management is projecting to attain above 20% of biomass and alternative fuels utilization by 2025.

9. SOLVENCY EVALUATION

The Directors have reviewed the current financial position of the Company and the existing short-term borrowings. Based on this review together with the current business plan, the Directors are satisfied that the Company is a solvent going concerned within the meaning ascribed by the Companies Act, 2002 of the Laws of Tanzania and IFRS Accounting Standards.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

10. MAJOR EVENTS

There were no major events during the year.

11. CORPORATE GOVERNANCE

TPCPLC adheres to strict Corporate Governance standards to ensure the company's long-term value and success while considering the interests of its diverse stakeholder groups, including shareholders, customers, suppliers, employees, and the communities where TPCPLC conducts its operations.

TPCPLC has three institutions: the Annual General Meeting, the Board of Directors, and the Audit Committee. The tasks and responsibilities of these institutions are primarily based on Stock Exchange Regulations and the company's Articles of Association. The Board of Directors is of the opinion that the Company complies with principles of good Corporate Governance as required by the Stock Exchange Regulations.

The shareholders exercise their rights before or during the Annual General Meeting and thereby exercise their voting rights. The ordinary Annual General Meeting is normally held in the first five months of the financial year. A company proxy bound by instructions is also available to shareholders to exercise their voting rights at the Annual General Meeting.

a. Code of Business Conduct

The Code of Business Conduct is binding for the entire Company. The Code of Business Conduct calls for:

- integrity and professional behaviour towards customers, suppliers, authorities, and business partners,
- strict compliance with all applicable laws,
- the consideration of sustainability and environmental concerns,
- consistent avoidance of conflicts of interest,
- careful and responsible handling of the Group's property and assets,
- careful and responsible handling of company data,
- fair, non-discriminatory employment conditions and fair dialogue with the employee representatives,
- the provision of healthy and safe workplaces, and
- considerate handling of the country's natural resources.

To ensure that the rules of the Code of Business Conduct are understood and observed, all members of the Managing Board and employees must regularly complete an online training programme.

b. The Board of Directors

The Board currently comprises six directors: five Non-Executive Directors and the Managing Director. The roles of the Chairman and Managing Director are separate to achieve a balance between management and control. The Board is responsible to shareholders for corporate governance of the Company, for setting strategy and policies, monitoring of operational performance, risk management processes, and setting of authority levels. The Board is scheduled to meet 3 times during the financial year.

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

Name	Title	Nationality	Age	Qualification	Initial Appointment
Mr. Alfonso Velez	Managing Director	Spanish	55	MBA	29 Aug 2017
Mr. Dominik Michel[1]	Director	German	47	Bachelor BA	24 Nov 2021
Mr. Francesco Brambilla	Director	Italian	52	Engineer	25 Apr 2018
Mr. Hakan Gurdal	Chairman	Turkish	55	Engineer, MBA	23 Aug 2016
Mr. Oswald Martin Urassa	Director	Tanzanian	59	B.com, MBA, CPA(T)	25 May 2016
Mrs. Ruth Henry Zaipuna	Director	Tanzanian	50	B.com, MBA, CPA(T)	25 May 2016

All current Directors are non-executive except for the Managing Director.

The Company Secretary during the year ended 31 December 2023 was Mr. Brian Kangetta (Kenyan), 46 years old.

[1] Director resigned on 31st December 2023

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

11. CORPORATE GOVERNANCE *Continued*

b. The Board of Directors *Continued*

The Directors' Interest in the Shares of the Company

	Number of shares	
	2023	2022
Mr. Oswald Martin Urassa	500	500

Board Meetings

The table presented below displays the board members' attendance record for the ordinary scheduled board meetings during the year.

Name	25 Apr 2023	12 Jul 2023	8 Dec 2023
Mr. Alfonso Velez	✓	✓	x
Mr. Dominik Michel	✓	✓	✓
Mr. Francesco Brambilla	✓	✓	✓
Mr. Hakan Gurdal	✓	✓	✓
Mr. Oswald Martin Urassa	✓	✓	✓
Mrs. Ruth Henry Zaipuna	✓	✓	✓

√ → Attended X → Excused

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 2023 (2022: 3 times).

Audit Committee Members

The Audit Committee members who served during the year, and to the date of this report, are:

Name	Title	Nationality	Qualification
Mr. Dominik Michel	Member	German	Bachelor BA
Mr. Oswald Martin Urassa *	Chairman	Tanzanian	B.com, MBA, CPA(T)
Mrs. Ruth Henry Zaipuna	Member	Tanzanian	B.com, MBA, CPA(T)

Audit Committee Meetings

The table presented below displays audit committee members' attendance records for the ordinary scheduled meetings during the year.

Name	25-Apr-2023	12-Jul-2023	08-Dec-2023
Mr Dominik Michel	✓	✓	✓
Mrs. Ruth Henry Zaipuna	✓	✓	✓
Mr. Oswald Martin Urassa	✓	✓	✓

√ Attended
X Excused

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

11. CORPORATE GOVERNANCE *Continued*

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 overall financial performance, production, health and safety, and individually set performance targets.

e. Risk management and internal control

TPCPLC faces several risks due to its business operations, and effective risk management is crucial for sound corporate governance. The company's robust risk management framework facilitates early identification and systematic evaluation of potential risks, ensuring targeted risk management. Additionally, TPCPLC has an internal control system that includes both independent and integrated control measures through its 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 are always beyond reproach. The Company has developed ethical guidelines for its employees to limit the cost of unethical behaviour to its stakeholders. The Company has adopted the main shareholder's business code of conduct 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 IFRS Accounting Standards and published quarterly 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.

12. DIRECTORS' REMUNERATION

The Company paid a total of TZS 64.3 million (2022: TZS 108.7 million) for services rendered by the Directors of the Company and members of the Audit Committee.

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

	2023 TZS '000	2022 TZS '000
Chairperson of the Board	0	10,393
Other directors	64,263	98,345

13. KEY MANAGEMENT PERSONNEL OF THE COMPANY

The key management personnel who served the Company during the year ended 31 December 2023 were:

Name	Position
Mr. Alfonso Velez	Managing Director
Mr. Peter James	Finance Director
Mrs. Evaline Mushi	Director of Human Resources
Mr. Yves Mataigne	Commercial Director
Mr. Gilles Covello	Technical Director
Mr. Ahmed Elsawy	Plant Manager
Mr. Jerome Mwakabaga	Health & Safety Manager
Mr. Ali Ahmed	Procurement Director

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

13. KEY MANAGEMENT PERSONNEL OF THE COMPANY *Continued*

The Company has an independent internal audit function reporting directly to the Board audit committee. The Internal Audit and Quality Assurance Manager is Gregory Ndimbo.

14. RISK MANAGEMENT

Operating within a dynamic environment, TPCPLC is subject to a range of external, operational, and financial risks. To manage these risks, the company has implemented a comprehensive framework for Risk Management and Internal Control, which is supported by appropriate governance and tools. By adopting this process, the company can identify, assess, mitigate, and monitor its overall risk exposure, while integrating forward-looking risk analysis into all strategic decision-making. This approach helps to minimize the probability and impact of any potential adverse events.

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

Identification and Assessment of Risks

Management and the internal control department regularly engage in the process of identifying risks, using various sources of information such as general macroeconomic data, industry-specific risk information, and identification tools and techniques. Additionally, they refer to an internal risk catalogue that documents financial and non-financial risk categories.

For each defined risk category, the likelihood is assessed with a minimum threshold of 10% and considering the expected impact, taking into account any risk mitigation measures already in place. A 12-month operational planning cycle is utilized to estimate the likelihood, and the effects on key parameters such as results from current operations (RCO), profit for the financial year, and cash flow are used as benchmarks to assess the potential impact. The risks are considered net of any mitigation measures.

The underlying scaling for the short-term risks incorporated into the planning cycle is as follows.

Likelihood	
Unlikely	0% to 20%
Seldom	>20% to 40%
Possible	>40% to 60%
Likely	>60% to 100%

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

14. RISK MANAGEMENT *Continued*

Risk Areas

We categorize risks that could have a significant impact on our assets, finances, and earnings into five categories: financial risks, strategic risks, operational risks, legal and compliance risks, and climate risks. These categories are based on our internal risk catalogue and establishment from our main shareholder. We will focus our risk assessment only on those risks that are deemed significant for our organization.

Below is the change in risks in comparison to the previous year.

Financial risks	↑
Strategic risks	
Economic risks	→
Political and social risks	→
Natural disasters/pandemics	→
Raw material shortages	→
Digitalisation	→
Skills shortages	→
Operational risks	↑
Legal and compliance risks	↑
Climate risks	→
Market and reputational risks	→

↑ Increased → Stable ↓ Decreased

Financial risks

Our significant financial risk is currency risk and liquidity risk, as well as tax risks. We manage these risks primarily as part of our ongoing business and financing activities and, when required, by using derivative financial instruments. These risk areas are monitored continuously by the Company treasury department in coordination with the treasury department of our main shareholder.

Currency Risk

The most significant risk position with respect to financial risks is the currency risk, particularly the translation 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 making appropriate decisions so that its impact is minimised. More details on foreign currency risk are included in Note 42 to the financial statements.

Liquidity Risk

Liquidity risk exists when a company is not able to procure or generate funds necessary to fulfil operational obligations or obligations entered in connection with financial instruments. For this case, the treasury department keeps close control and planning of cash flows depending on monthly plans and uncertainties that might come up or are expected to arise as well as ensuring diversification of funding sources, this includes proper management of credit risk, ensuring adequate control on the creditworthiness of our customers and optimum coverage of credit risk through bank guarantees, accredited letters of credit and others.

Strategic Risks

The global and country economic and social environment is constantly changing due to worldwide trends, such as climate change, demographic development, pandemics, digitalisation, and new technologies. These trends present both risks and opportunities. A company's ability to adapt to changes determines the impact of these trends on it. Risks arising from the changing trends may affect demand, price levels, and costs, and therefore the company's earnings. In the following, we describe and assess these risks and indicate measures taken to mitigate their impact.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

14. RISK MANAGEMENT *Continued*

Strategic Risks *Continued*

Economic risks

The economic outlook is currently influenced by considerable risks. The baseline forecast is for global growth to slow from 3.5% in 2022 to 3.0% in 2023 and 2.9% in 2024, well below the historical (2000–19) average of 3.8%. Despite the world economic decline, Tanzania's annual GDP growth for the quarter ending September 2023 has improved to 5.3% compared to 3.6% for the quarter ending Dec 2022. Fuel prices in the country remain at a surge.

In case of a recession and a decrease in construction activity, the company may face a decline in demand and price pressure. We believe that the risk situation has tightened compared to last year. However, TPCPLC can partially mitigate this risk thanks to its diversified market portfolio and diversified sources of raw materials and spare parts which reduces dependence.

Political and social risks

The instability in the economic, social, or political landscape, such as shifts in government or heightened political tensions, civil unrest, and internal or international conflicts, can have significant effects on our assets, business, environment, and reputation. These impacts can be either direct, such as security repercussions, or indirect, such as economic unpredictability. Furthermore, they may increase our vulnerability to a wide range of risks, such as compliance, tax, access to raw materials, and reduced cash flow.

In recent years, Tanzania has experienced impressive political and economic progress and has made notable improvements in social welfare. Although the political situation has been relatively stable over time, sudden changes in the political or social landscape can directly affect the Company's performance by impeding market outreach or obstructing the sourcing of raw materials or energy. As a result, TPCPLC conducts a systematic assessment of these risks to ensure prompt mitigation in the event of their occurrence.

Natural disasters/pandemics (Unforeseen external incidents)

Our business performance could be adversely affected by unforeseeable external incidents, such as natural disasters or pandemics. Typically, natural disasters and pandemics occur suddenly. However, after careful evaluation, we have determined that there is no significant risk of such incidents significantly impacting our operations.

Raw material shortages

The availability of raw materials has a significant impact on the cost and overall operations of our company, and consequently, it can significantly influence our financial results. We consider raw material shortages to be an industry-specific risk that could gradually affect our company. We believe that the risk outlook has remained the same compared to last year. To mitigate this risk, TPCPLC continuously monitors our raw material reserves, and local availability, and secures alternative raw materials wherever feasible.

Digitalisation

The business world is undergoing fundamental changes due to the digital transformation. The rise of new digital and networked technologies, as well as increasing automation, may challenge existing business models and create opportunities for new ones. The construction and building materials industry is also gradually changing due to digitalization, which could aid in achieving climate neutrality in building design and construction. This shift could result in the construction of more energy-efficient and long-lasting buildings with lower emissions, potentially reducing cement consumption. Digitalization could also increase efficiency and productivity, such as real-time data analysis from networked systems, predictive maintenance, and better inventory and production process management.

Insufficient progress in digitalization may lead to a loss of efficiency and competitiveness. We consider digitalization as a general risk with a potential impact on the company, gradually occurring over time. We assess the risk level to be unchanged from the previous year. TPCPLC proactively explores and invests in new technologies to capitalize on new digital developments as early as possible.

Skills shortage

As our experienced employees age, there is a possibility of a shortage of experienced and qualified workers, which may lead to lower productivity and increased personnel expenses, ultimately raising production costs. We expect the risk level to remain unchanged from the previous year. To mitigate this risk, TPCPLC implements personnel development programs to attract and retain employees, such as cross-departmental or transnational career paths through our main shareholder.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

14. RISK MANAGEMENT *Continued*

Operational Risks

Operational risks mainly comprise risks concerning the development of energy and raw material costs and their availability. We also consider regulatory risks related to environmental constraints, as well as production, quality, and IT risks. Operational risks have risen compared to the previous year.

Energy prices and availability

Energy is key in the operational activities of the Company and thus, reliable power and gas supply and prices represent a considerable risk to the Company.

The Company depends heavily on the power supply from Tanzania Electric Supply Company Limited (TANESCO). Over the years, there have been significant improvements in power supply, though power cuts still pose a significant impact on operations.

Natural gas is used in the clinker-burning process, to produce our clinker. The company heavily depends on natural gas and thus any significant price changes or shortages have a detrimental impact on the company's operations and production. In recent years, natural gas costs have continued to increase beyond the market development.
We consider this risk to be of a medium to high risk with a high likelihood and a significant impact.

Availability of raw materials and additives

To produce cement, TPCPLC needs substantial quantities of raw materials, which are primarily obtained from its deposits. The limestone quarry owned by TPCPLC marks the starting point of the cement manufacturing process. Limestone is mixed with a proportional amount of red soil to create the raw meal, which is finely blended and fed into kilns to produce clinker. The availability of limestone is critical for uninterrupted operations, and the Company ensures that it has sufficient limestone deposits to meet its needs.

Production-related risks

The cement industry involves complex technology for processing and storing raw materials, additives, and fuels, and is considered an asset-intensive industry. There is a risk of personal injury, material damage, and environmental damage due to accidents and operating risks, which may cause disruptions in operations. TPCPLCs has a risk transfer strategy that sets deductibles for insurance programs based on failure analyses spanning several years.

Although the risk of insufficient insured amounts in the event of damage, particularly from rare and severe types of damage like natural disasters, is present, it is deemed to be low. To prevent the possibility of damage and its consequences, we rely on various surveillance and security systems in our plant, integrated management systems that include high safety standards, as well as regular checks, maintenance, and servicing. We offer appropriate training to all employees to increase their awareness of potential dangers. Overall, production-related risks are deemed to be low and unlikely, with a low impact.

Quality risks

Cement is subject to strict standardisation. If supplied products do not meet the prescribed standards or the customer's quality requirements, we risk losing sales volumes, facing claims for damages, and/or damaging our customer relationships. TPCPLC ensures compliance with the standards from our main shareholder and third-party laboratories utilizing fine-meshed quality assurance in parallel with every process step as well as final inspections. Quality assurance controls are also carried out by independent experts as part of the extensive quality assurance programmes already in place. Overall, we consider the quality risks as a low and unlikely risk with a low impact. The Company ensures compliance with the standards at its laboratory and standard certification by the Tanzania Bureau of Standards (TBS) (ISO 9001 Certification).

IT risks

Our business processes, communication, sales, logistics, and production are supported by IT systems, which can pose two main areas of risk: the unavailability of IT systems due to failures or human error, and the threat of deliberate harmful actions by both external and internal actors.

To minimize IT systems availability-related risks: We have implemented backup procedures and standardized IT infrastructures and processes. Our internal software development teams work with IT experts from our main shareholder to use agile, iterative processes that prioritize identifying and managing risks. For sensitive use cases that interact with our transactional ERP solutions, we conduct small pilot tests with trusted partners in a structured manner to quickly identify and address risks in the early stages of development.

14. RISK MANAGEMENT *Continued*

Operational Risks *Continued*

IT risks *Continued*

To minimize the threat of external and internal cyberattacks: Given the current geopolitical situation and the growing trend of cyberattacks as a business model, both internal and external cyberattacks pose a significant threat. To address this, we have implemented a zero-trust strategy and are increasing security mechanisms in multiple areas. Our cybersecurity team, with the support of our main shareholder, is taking measures to enhance the security of our identification mechanisms, thereby securing user identities. Additionally, we have started using automated methods to analyse unusual user behaviour.

In general, the threat level has increased, leading us to consider the risk of system or application outages as a medium risk (compared to the previous year's low risk) with a moderate impact (similar to the previous year's moderate impact) and an unlikely likelihood (but still possible).

Legal and compliance risks

Our important legal and compliance risks include risks from ongoing proceedings and investigations, as well as risks arising from changes in the regulatory environment and the non-observance of compliance requirements. We are closely monitoring ongoing legal proceedings from a legal standpoint, and we have made appropriate financial provisions as per the legislative requirements to cover any potential negative impact from these proceedings.

Based on our compliance risk assessments, we have determined that TPCPLC faces a moderate compliance risk. However, the financial risk associated with compliance violations is considered low, based on the compliance cases reported and confirmed during the reporting period.

Climate Risks

In Tanzania, where our operations are based, the climate plays a crucial role in the cement industry. Extreme weather patterns, such as heavy rainfall or winds, can significantly affect both the availability and accessibility of raw materials essential for cement production and sales distribution. However, Tanzania enjoys a generally stable climate with predictable weather patterns, which mitigates some of the risk. Unlike regions prone to frequent storms or temperature fluctuations, Tanzania's relatively consistent climate provides a favourable operating environment for cement production. Furthermore, stable climatic conditions contribute to consistent construction activity throughout the year, as adverse weather events that could halt construction projects are uncommon and seasonal.

Thus, while we acknowledge the influence of climate on cement demand and sourcing, we assess the associated risk as stable within the Tanzanian context.

Market and reputational risks

One of the primary market risks for TPCPLC is competition, which is increasing in the Tanzanian market, recently with the inclusion of imported cement in the market. However, TPCPLC is well-positioned to maintain its competitive edge by relying on its high-quality cement, strong brand, skilled workforce, and effective management practices.

As the transition to a low-emission economy continues, there is a market risk associated with changes in consumer preferences. This could result in an increased substitution of cement with other building materials that are perceived to have a lower carbon footprint. Additionally, there is a risk of rising costs for raw materials, which may be partly driven by the transition to a low-emission economy.

To ensure future production, we are taking steps to secure sufficient quantities of alternative fuels and raw materials. In addition, we recognize that failure to meet our sustainability targets promptly may result in negative feedback from certain stakeholders, which could pose a reputational risk to the company. Effective communication can help mitigate these risks. Overall, we consider market and reputational risks to be general risk that could have a gradual impact on TPCPLC. We believe that the risk outlook is stable compared to the previous year.

Overall risk assessment

The Board of Directors has evaluated TPCPLC's overall risk situation by consolidating all major and individual risks. Based on this examination, the Board is confident that there are no significant risks that would pose a threat to the company's status as a going concern, either independently or in combination with other risks. There have been no significant changes to TPCPLC's risk situation between the reporting date and the preparation of the 2023 financial statements. The company has a robust financial foundation, and its liquidity position is strong.

15. KEY STRENGTHS, STRATEGIES, 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 teams 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 is synonymous with high quality. The brand and quality of TPCPLC products give the Company a competitive advantage in the market. To meet the quality demand of the market, the Company produces four cement products i.e., Twiga Ordinary (CEM I 42.5N), Twiga Plus (CEM IIB-L 42.5N), Twiga Extra (CEM IIB-L 32.5R), Twiga Jenga (MC-22X), Twiga Super (CEM IIB-L 32.5N) and Twiga Mega (CEM III/B-SR 42.5N). The quality of finished goods produced is maintained through consistent quality testing of all the raw materials at every stage of production and the finished goods produced.

Strong Distribution Network

With a 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 African Sub-Region.

Market Position

Twiga Cement is the preferred brand in the market and thus gives TPCPLC a competitive position. TPCPLC's market competitiveness is reinforced by its proximity to the main Dar es Salaam market.

Technical Support

Heidelberg Cement 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. TPCPLC benefits from worldwide technical support in the cement business.

High-Quality Limestone Reserves

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

16. STAKEHOLDERS' RELATIONSHIP

Employees – the company put in place programs and initiatives that focus on the improvement of the employee's welfare, keeping priorities on the health and safety and training of employees. Furthermore, the company works closely with the employee's union (TUICO) to ensure that all issues relating to employees are addressed. The company has maintained a good relationship with TUICO.

Customers – The company is customer-oriented and is fully committed to providing value-added services, experience, and quality products to customers. Our team is determined to keep a competitive edge in our operations as well as in the market.

Suppliers – provide raw materials, services, spare parts, etc., that are key to the operation of the plant. The company provides an opportunity to all through the tendering process, supplier forums, site visits, and favourable terms to ensure the sustainability of operations.

Local communities – the company is engaged in several initiatives that ensure that matters about the communities are addressed. The company ensures that it budgets for community initiatives in the areas of education, health care, women, and children.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

17. STAKEHOLDERS' RELATIONSHIP *Continued*

Government and Regulators – these are responsible for the provision of policies, permits, and licenses. The company continues to work closely with the government and regulators through industry bodies, and public forums. The company has in place programs to ensure that its operations comply with the various laws and regulations including environment, health, and safety. Furthermore, the company ensures that its operations promote economic and industrial development in the country.

18. POLITICAL DONATIONS

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

19. CORPORATE SOCIAL INVESTMENT

During the year under review, the Company demonstrated its commitment to social responsibility by donating and contributing TZS 164.7 million (2022: TZS 646.1 million). These contributions were made both in monetary terms and in-kind targeting children, women, health care, and education.

20. DIVIDENDS

The Directors recommend payment of TZS 70.17 billion (TZS 390 per share) to shareholders as the final dividend for the year 2023. The final dividend will be approved in the annual general meeting and paid in June 2023. During the year the Company paid TZS 70.17 billion (TZS 390 per share) as the final dividend for the financial year 2022.

There was no payment of interim dividend relating to the year ended 31 December 2023. 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.

21. SUBSEQUENT EVENTS

There are no other events after the reporting period which require adjustment to, or disclosure, in the financial statements

22. RELATED PARTY TRANSACTIONS

The ultimate Parent Company of TPCPLC is HeidelbergCement AG, listed on the Frankfurt Stock Exchange in the Federal Republic of Germany. Heidelberg Cement AG owns indirectly 100% of Scancem International DA of Norway, which in turn owns 69.25% of the TPCPLC shares.

During the year, the Company transacted with related parties, this mainly includes the importation of raw materials from HC Trading Asia and Pacific PTE Limited and the export of coal to HC Trading GMBH. Details of related party transactions are shown in Note 38 of the financial statements.

23. SHARE CAPITAL

The total issued share capital of the Company amounts to 179,923,100 ordinary shares (2022: 179,923,100 ordinary shares). There is no change in the issued share capital. The capital structure of the Company is outlined in Note 27.
The shareholding of the Company is as stated below:

Name	2023 % Shareholding	2022 % Shareholding
Scancem International DA	69.25	69.25
General Public	22.78	22.78
Government Pension funds	7.75	7.75
Wazo Hill Saving and Credit Cooperative Society	0.22	0.22
	100.00	**100.00**

24. ACCOUNTING POLICIES

The financial statements are prepared on the underlying assumptions of a going concern. The accounting policies which are laid out in Note 3 to the financial statements are subject to annual review to ensure continuing compliance with IFRS Accounting Standards.

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

25. SHAREHOLDERS OF THE COMPANY

The total number of shareholders as at 31 December 2023 was 9,273 shareholders (2023: 9,310 shareholders), with 179,923,100 ordinary shares (2022: 179,923,100 ordinary shares). The following were the ten largest shareholders of the Company:

Name	Nationality	2023 % of Shareholding	2022 % of Shareholding
Scancem International DA	Norwegian	69.25	69.25
Public Service Social Security Fund	Tanzanian	6.16	6.16
Standard Chartered Bank Uganda	Ugandan	5.28	5.28
National Social Security Fund	Tanzanian	1.24	1.24
African Lions Fund LTD	Tanzanian	1.03	0.93
Umoja Unit Trust Scheme	Tanzanian	0.99	0.99
Murtaza Basheer Nasser	Tanzanian	0.90	0.90
Said Salim Awadh Bakhresa	Tanzanian	0.77	0.77
Sayed H. Kadri/Basharat Kadro/Mehboob Kadri/Khalid/Muzammil Kadri	Tanzanian	0.59	0.52
Gak Patel & Co. LTD	Tanzanian	0.36	0.30

26. 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 2023, shares of the Company were continuously traded in the secondary market through auctions organised by the Dar es Salaam Stock Exchange (DSE). In the year 2023, the performance of the Company's shares in the secondary market was as follows: Market capitalisation as at 31 December 2023 was TZS 766.5 billion (2022: TZS 683.7 billion). The share price prevailing as at 31 December 2023 was TZS 4,260 per share, compared to TZS 3,800 per share, one year earlier. The IPO price was TZS 435 per share.

27. SERIOUS PREJUDICIAL MATTERS

During the year, there were no serious judicial matters to report as required by the Tanzania Financial Reporting Standard No. 1 (Report by those charged with Governance).

28. STATEMENT OF COMPLIANCE

The Report by those charged with governance has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 "TFRS 1" (The Report by those charged with governance).

REPORT BY THOSE CHARGED WITH GOVERNANCE *CONTINUED*

FOR THE YEAR ENDED 31 DECEMBER 2023

29. AUDITORS

Details

The information of the Company's auditors for the period covered by the report is:

PricewaterhouseCoopers
Pemba House
369 Toure Drive
Oyster Bay
P.O. Box 45
Dar es Salaam, Tanzania

Website: https://www.pwc.co.tz/
Firms' PF Number: PF 047
TIN: 100212285

The engagement partner who was in charge of the audit of the Company during the period has the registration number: ACPA-PP 1981

Appointment for 2023

PricewaterhouseCoopers (PwC) was appointed to be the Company's auditor for the year 2023. PwC has also expressed willingness to continue with the appointment and is eligible to apply for a re-appointment. A resolution proposing the appointment of the auditor for the next financial year will be put in the Annual General Meeting.

30. RESPONSIBILITY OF THE AUDITOR

The Auditor is responsible for providing assurance of the correctness and consistency of all information contained in the report by those charged with governance with those provided in the financial statements.

31. RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

The members charged with governance accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations, and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS 1 and all other statutory legislation relevant to the Company.

By order of the Board of those charged with Governance

Approved by the Board of Directors on 26 **April 2024** and signed on its behalf by:

Name: ALFONSO VELEZ Title: DIRECTOR Signature: ____________

Name: OSWALD URASSA Title: DIRECTOR Signature: ____________

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2023

The Tanzanian Companies Act, 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of the affairs of the Company at the end of the financial year and of its profit or loss for the year. 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 IFRS Accounting Standards and the requirements of the Tanzanian Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and its profit in accordance with IFRS Accounting Standards .

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.

Name: ALFONSO VELEZ Title: DIRECTOR Signature: Alfonso Velez

Name: OSWALD URASSA Title: DIRECTOR Signature:

Date: 26 April 2024

DECLARATION OF THE HEAD OF FINANCE

FOR THE YEAR ENDED 31 DECEMBER 2023

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 by 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 in discharging 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 IFRS Accounting 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 19.

I Tumaini Ishemo, being the Chief Accountant representing the Head of Finance of Tanzania Portland Cement Public Limited Company hereby acknowledge my responsibility of ensuring that the financial statements for the year ended 31 December 2023 have been prepared in compliance with IFRS Accounting 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 Public Limited Company as of that date and for the year then ended and that the financial statements have been prepared based on properly maintained financial records.

Signed by: ______________________

Position: **CHIEF ACCOUNTANT**

NBAA Membership No. **ACPA 2733**

Date: 26 **April 2024**

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Tanzania Portland Cement Public Limited Company (the Company) as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

The financial statements of Tanzania Portland Cement Public Limited Company as set out on pages 25 to 72 comprise:

- statement of financial position as at 31 December 2023;
- statement of profit or loss and other comprehensive income for the year then ended;
- statement of changes in equity for the year then ended;
- statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policies and other explanatory information.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

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 Company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Report on the audit of the financial statements (Continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Unresolved tax matters and contingent liabilities Tax positions were significant to our audit because the assessment process involves judgment in the interpretation and application of tax laws and in assessing tax liabilities and contingencies that could arise from tax audits. The Company has significant unresolved tax matters with the Tanzania Revenue Authority (TRA) whose outcomes are dependent on future events. The total amount of tax assessed is TZS 67 billion of which TZS 10.6 billion has been provided for on the financial statements. With the assistance of internal and external experts, the directors exercise significant judgement in assessing the possible outcomes of the unresolved matters for financial reporting purposes at the year-end. The actual future outcomes of these matters could be materially different from the directors' judgement at the year-end. Further information is provided in Note 6, Note 33(b) and note 39.	We tested management's process for identification and evaluation of tax exposures from TRA assessments. We examined a list of open tax matters and tax assessments by TRA as at 31 December 2023. We tested the completeness of the list by examining the minutes of the board meetings and legal correspondences between the company and its lawyers. We examined the correspondence between Management and the Tanzania Revenue Authority. We obtained and assessed advice from management expert that was applied by management to assess the level of provisioning required and the tax objections filed thereon. We reviewed the provisions for tax exposures based on management's assessment and the advice provided by the company's tax advisor. We have evaluated the reasonableness of the management judgement and assessed the adequacy of the disclosures made in the financial statements in relation to contingent liabilities and significant judgments applied by directors.

Other information

The directors are responsible for the other information. The other information comprises Report by Those Charged With Governance, Statement of Directors' responsibilities, Declaration of the head of finance and Company information (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Financial highlights, letter of transmittal, Chairman's statement, Managing director's report, Directors' Bibliography, Key management personnel, Corporate social responsibility and proxy form, which is expected to be made available to us after that date.

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 identified above 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.

When we read Financial highlights, letter of transmittal, Chairman's statement, Managing director's report, Directors' Bibliography, Key management personnel, Corporate social responsibility and proxy form, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Report on the audit of the financial statements (Continued)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies Act, No. 12 of 2002, 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.

Responsibilities of the directors for the financial statements (continued)

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 the 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 the 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.

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 those charged with governance 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, action taken to eliminate threats or safeguards applied.

Report on the audit of the financial statements (Continued)

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 period 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, No. 12 of 2002, and for no other purposes.

As required by the Companies Act, No. 12 of 2002 we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

Cletus Kiyuga, ACPA-PP

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

Date: 21st **May 2024**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2023 TZS '000	2022 TZS '000
Revenue from contracts with customers	7	490,171,829	501,369,007
Cost of sales	9	(330,443,277)	(334,905,005)
Gross profit		**159,728,552**	**166,464,002**
Other operating income	8	9,745,144	501,513
Selling and marketing costs	10	(5,891,729)	(3,082,702)
Net (charge)/release of expected credit losses	23	(11)	339,944
Administrative costs	11	(29,440,015)	(25,111,509)
Other operating expenses	14	(1,504,148)	(2,727,675)
Net gain on foreign currency translation	17	8,795,332	1,829,993
Operating Profit		**141,433,125**	**138,213,566**
Finance income	15	3,092,852	3,139,579
Finance costs	16	(1,051,474)	(1,255,581)
Finance income - net		**2,041,378**	**1,883,998**
Profit before tax		**143,474,503**	**140,097,564**
Income tax expense	32	(44,290,757)	(42,738,964)
Profit for the year		**99,183,746**	**97,358,600**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Re-measurement gain/(losses) on defined benefit plan	29	(278,660)	448,834
Income tax effect	32	83,598	(134,650)
Other comprehensive income for the year		**(195,062)**	**314,184**
Total comprehensive income for the year, net of tax		**98,988,684**	**97,672,784**
Earnings per share			
Basic and diluted earning per share (TZS)	40	551	541

STATEMENT OF FINANCIAL POSITION

	Notes	2023 TZS '000	2022 TZS '000
ASSETS			
Non-current assets			
Property, plant and equipment	18	135,386,743	142,330,100
Intangible assets	19	858,706	813,318
Leasehold land	20	953,083	980,929
Right of use assets	21	1,004,266	4,333,991
Other non-current financial assets	25	352,000	574,000
		138,554,798	**149,032,338**
Current assets			
Inventories	22	91,459,061	85,992,920
Trade receivables	23	61,659,567	53,561,114
Other short-term operating receivables	24	19,652,739	24,193,735
Current income tax recoverable	32	2,450,612	-
Other current financial assets	25	540,000	600,000
Cash and bank balances	26	131,369,615	105,512,644
		307,131,594	**269,860,413**
TOTAL ASSETS		**445,686,392**	**418,892,751**
EQUITY AND LIABILITIES			
Equity			
Share capital	27	3,598,462	3,598,462
Retained earnings		324,958,486	296,139,811
		328,556,948	**299,738,273**
Non-current liabilities			
Lease liabilities	28	185,766	1,149,572
Employment benefit obligations	29	5,386,658	4,937,695
Provision for quarry site restoration	31	4,573,453	4,266,311
Deferred income tax liability	32	10,559,783	10,066,665
		20,705,660	**20,420,243**
Current liabilities			
Lease liabilities	28	963,806	3,461,375
Employment benefit obligations	29	562,206	401,627
Current income tax payable	32	-	521,690
Trade and other payables	33(a)	81,389,778	78,394,395
Provisions	33(b)	10,583,245	13,049,775
Dividend payable	37	2,924,749	2,905,373
		96,423,784	**98,734,235**
TOTAL EQUITY AND LIABILITIES		**445,686,392**	**418,892,751**

These financial statements were authorised for issue in accordance with a resolution of the Board of directors passed on 26 April 2024 and were signed on its behalf by:

Name: ALFONSO VELEZ Title: DIRECTOR Signature: Alfonso Velez

Name: OSWALD URASSA Title: DIRECTOR Signature:

STATEMENT OF CHANGES IN EQUITY

	Share Capital and Share Premium (Note 27)	Retained earnings	Total Equity
	TZS '000	TZS '000	TZS '000
As at 01 January 2023	3,598,462	296,139,811	299,738,273
Profit for the year	-	99,183,746	99,183,746
Other comprehensive income, net of tax	-	(195,062)	
Transactions with owners in their capacity as owners:			
Dividends declared (Note 37)		(70,170,009)	(70,170,009)
	-	(70,170,009)	(70,170,009)
As at 31 December 2023	**3,598,462**	**324,958,486**	**328,752,010**
As at 01 January 2022	3,598,462	268,637,039	272,235,501
Profit for the year	-	97,358,600	97,358,600.00
Other comprehensive income, net of tax		314,184	
Transactions with owners in their capacity as owners:			
Dividends declared (Note 37)		(70,170,012)	(70,170,012)
	-	(70,170,012)	(70,170,012)
As at 31 December 2022	**3,598,462**	**296,139,811**	**299,424,089**

STATEMENT OF CASH FLOWS

	Notes	2023 TZS '000	2022 TZS '000
Operating activities			
Profit before tax		143,474,503	140,097,564
Adjustment to reconcile profit before tax to net cash flows:			
Depreciation and amortisation	12	21,818,849	20,645,407
Interest expense	16	1,051,474	1,255,581
Interest income	15	(3,092,852)	(3,139,579)
Net unrealised exchange (gain)/loss	17	(7,386,138)	(801,765)
Net provision for obsolete inventories	22	2,902,936	971,658
(Decrease)/increase in site restoration provision	31	307,142	1,833,770
Post employment benefit provision- Service cost	29	336,169	300,809
(Decrease)/increase in other provisions	33(b)	(2,466,530)	(280,104)
Expected credit losses for trade receivables	23	(11)	339,944
Gain on disposal of property, plant and equipment	8	(8,540,612)	-
Cash flows before changes in working capital items		**148,404,930**	**161,223,285**
Working capital adjustments:			
Inventories		(8,369,077)	(34,029,089)
Trade receivables		(8,098,442)	(7,623,738)
Other short-term operating receivables		4,540,996	(7,606,867)
Other financial assets		282,000	222,000
Trade and other payables		2,995,383	8,112,674
Net working capital adjustments		**(8,649,140)**	**(40,925,020)**
Corporation tax paid	32	(46,686,343)	(43,932,977)
Payment to post employment benefit - Benefit payments	29	(519,139)	(264,659)
Interest received	15	3,092,852	3,139,579
Net cash inflows from operating activities		**95,643,160**	**79,240,208**
Investing activities			
Proceeds from disposal of property, plant and equipment	8	8,540,612	-
Payment for capital works-in-progress and PPE	18	(11,563,308)	(14,611,038)
Net cash flows used in investing activities		**(3,022,696)**	**(14,611,038)**
Financing activities			
Dividends paid	37	(70,150,633)	(70,113,109)
Payment of lease liabilities - principal	28	(3,461,375)	(3,273,027)
Payment of lease liabilities - interest	28	(537,623)	(810,519)
Net cash flows used in financing activities		**(74,149,631)**	**(74,196,655)**
Net increase/(decrease) in cash and cash equivalents		**18,470,833**	**(9,567,485)**
Net unrealised exchange gain/(loss)		7,386,138	801,765
Cash and cash equivalents at 01 January		105,512,644	114,278,364
Cash and cash equivalent at 31 December		**131,369,615**	**105,512,644**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. CORPORATE INFORMATION

The financial statements of Tanzania Portland Cement Public Limited Company ('the Company') for the year ended 31 December 2023 were authorized for issue in accordance with a resolution of the Directors as indicated on the statement of financial position. The Company is a Public 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 Report by those charged with governance. Information on its holding Company is provided in Note 38.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis, except when 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. These financial statements cover the year ended 31 December 2023.

Statement of compliance

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

Going Concern
The Company has prepared the Financial Statements on the basis that it will continue to operate as a going concern.

3. MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

a) Revenue recognition

Revenue represents income arising in the course of an entity's ordinary activities, which leads to an increase in economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. Revenue is stated net of value-added tax (VAT).

Revenue is primarily derived from the sale of cement to distributors. Revenue is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods or collection of cement by customers at the Company's premises.

The five-step model stipulated in IFRS 15 *Revenue from contracts with customers* is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to performing their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing, or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, and customer loyalty points). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any. Currently, the Company does not sell cement to customers or have contracts with customers that have significant financing components.

3. MATERIAL ACCOUNTING POLICIES *Continued*

a) Revenue recognition *Continued*

Contract balances and liabilities

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to the accounting policies on financial assets.

Unsatisfied delivery contracts
As of 31st December for the year ended, there was no unsatisfied obligations resulting from cement deliveries.

Contract liabilities
A contract liability is an obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract. The Company's contract liabilities consist of advance deposits from customers for cement sales.

Cost to obtain a contract.
The Company defers and amortises these costs over the period of the contract.

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

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

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

c) 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 that 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 fixtures)	12.5
Other equipment (Motor vehicles)	25.0
Other equipment (Computer hardware)	33.3

3. MATERIAL ACCOUNTING POLICIES *Continued*

c) Property, plant, and equipment *Continued*

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 from the 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 asset is derecognised once control has been transferred to the buyer.

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

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 costs incurred for assets being constructed by third parties, assets that 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.

d) 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, with a useful life of more than 5 years and a value of more than TZS 140 million. They are measured on cost less depreciation and provision for impairment.

e) Intangible assets

The Company's intangible assets include the value of computer software and mining rights for the limestone quarry. Mining rights are rights to extract limestone from the land that belongs to the government. The Company pays the cost of the mining rights at the inception of the contract in advance and amortizes over the life of the contract or units of production giving mining rights.
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 that has been consistently applied is 20% – 50%. The amortisation period and the amortisation method for intangible assets 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 are 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.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the 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.

f) 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 estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and value in use. A cash-generating unit is a small identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount 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. If this is the case, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless either the asset's fair value less cost of disposal is higher than its carrying amounts or the asset's value in use can be estimated to be close to its fair value less costs of disposal and fair value less costs of disposal can be determined.

3. MATERIAL ACCOUNTING POLICIES *Continued*

f) Impairment of non-financial assets *Continued*

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rates that reflect current market assessments of the time value of money and the risks specific to the assets.

In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transaction can be identified, and the appropriate valuation model is used value in use is determined using budgets.

g) 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 a weighted average basis.
- *Finished goods and work in progress* – the cost of direct materials and labour 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.

h) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets at initial recognition, financial assets are classified into three categories: amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (a) Revenue recognition.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both.

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

As at the year-end, the financial assets of the company included cash and cash equivalents, trade receivables, and other financial assets; all classified as assets held to collect and therefore measured at amortised cost.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified into four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with the recycling of cumulative gains and losses upon derecognition (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3. MATERIAL ACCOUNTING POLICIES *Continued*

h) Financial Instruments *Continued*

(i) Financial assets *Continued*

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost (debt instrument) are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The Company's financial assets at amortised cost include trade receivable, other short-term operating receivables bank balances, and other financial assets.

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 its 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 Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. MATERIAL ACCOUNTING POLICIES *Continued*

h) Financial Instruments *Continued*

(i) Financial assets *Continued*

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. A gross carrying amount will be written off when the financial assets can not be recovered after three years.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of incremental transaction costs.

The Company's financial liabilities include Interest bearing loans, accrued expenses, trade payables, and other payables that are financial instruments. These are all classified as financial liabilities at amortised cost.

Subsequent measurement
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.

i) 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.

j) Provisions

General
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 the 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, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

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

3. MATERIAL ACCOUNTING POLICIES *Continued*

j) Provisions *Continued*

Onerous contracts
An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

If the Company has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

The Company did not have any onerous contracts during the year.

k) 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, and the National Social Security Fund (NSSF). The Company contributes 10% of basic salary for each employee who is a member of NSSF, while the employees contribute 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, and it has no further obligations to the scheme.

Other short-term benefits
The Company maintains a medical insurance policy for its staff which covers staff and their immediate dependants. The entitlement is recognised through profit or loss under employee expenses. The Company does not have any further obligation after contributions have been made.

Post-employment benefits
Under defined benefit obligations the Company provides certain post-employment benefits at retirement. The expected costs of these benefits are accrued over the period of employment. The liability or asset recognized in the statement of financial position for defined benefit pension obligations is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets.

defined benefit obligations are calculated annually by independent actuaries (Mercer) using the internationally accepted method, the projected unit credit method. This method considers factors such as employee service years, salary growth, expected retirement age, and mortality rates.

The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid. If there is no deep market for such bonds, market rates on government bonds are used. The net interest cost is calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit or loss.

Remeasurement Gains and Losses arise from experience adjustments and changes in actuarial assumptions. They are recognized directly in other comprehensive income and included in retained earnings in the statement of changes in equity and the statement of financial position.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance schemes. Once the contributions have been paid, the Company has no further payment obligations. These contributions are recognized as employee benefit expenses when they are due. Prepaid contributions are recognized as an asset if a cash refund or a reduction in future payments is available.

3. MATERIAL ACCOUNTING POLICIES *Continued*

k) Pensions and other employment benefits *Continued*

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 are 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 date of the plan amendment or curtailment, and the date that the Company 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

Key assumptions and sensitivity analysis are disclosed under Note 29.

3. MATERIAL ACCOUNTING POLICIES *Continued*

l) Taxes

Current tax

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

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

Tax uncertainties

Tax uncertainties in our operations stem from various sources, like tax authority uncertain tax laws interpretations, international transactions, and changing laws. To navigate this, we use a multi-pronged approach. This includes getting clarifications from the Tanzania Revenue Authority (TRA), staying in touch with them, and keeping ourselves updated on new regulations. By being proactive and compliant, minimizing tax exposures. For pending tax matters, close follow up at all levels is consistently sought, and appropriate risk control measures are in constant checks.

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.

- 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.

3. MATERIAL ACCOUNTING POLICIES *Continued*

l) Taxes *Continued*

Value-added tax

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

- Where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the Value Added Tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of Value Added Tax included.

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

m) Royalty

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

n) 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.

Dividend withholding tax

Dividend withholding tax is payable at a rate of 5% on dividends distributed to shareholders. This tax is not attributable to the Company paying the dividend but is collected by the Company and paid to the tax authorities on behalf of the shareholder.

o) Current versus non-current classification

The Company present assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realised within 12 months after the reporting period.
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within 12 months after the reporting period.
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classify all other liabilities as non-current.

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

p) Cost of sales

All costs directly linked to the production, handling, and storing of goods within the factory premises are classified under cost of sales. They exclude those period costs that would be incurred regardless of whether the Company make any production. Cost of sales includes carrying amounts of inventories sold during the period. Included in this are some fixed components like direct labour cost; variable costs such as power, materials, handling, and distribution cost. Costs are allocated based on cost centres, expenses allocated to cost of sales are those which are within technical, mechanical, and production cost centres.

3. MATERIAL ACCOUNTING POLICIES *Continued*

q) Leases

The Company assesses at contract inception whether a contract is or contains a lease. That is if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and lease term.

The right-of-use assets are subject to impairment in line with the Company's policy for impairment of non-financial assets.
The useful life of the Company's right-of-use asset is as follows:

- Quarry equipment – 3.25 years
- Factory land – 99 years

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

r) Cash and bank balances
Cash and short-term deposits in the statement of financial position comprise bank balances and time deposit accounts with banks whose original maturities do not exceed three months and cash on hand. For the purpose of the statement of cash flows, cash, and cash equivalents consist of cash and bank balances as defined above.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current - Effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- Only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of liability not impact its classification
- The amendments have not had material impact on the Company financial statements.

The amendments have not had material impact on the Company financial statements.

Definition of Accounting Estimates - Amendments to IAS 8 - Effective for annual reporting periods beginning on or after 1 January 2023

In February 2021, the IASB issued amendments to IAS 8, in which it introduced a definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarified how entities use measurement techniques and inputs to develop accounting estimates.

The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments have not had material impact on the Company financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 - Applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, Making Materiality Judgements, providing guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023, with earlier application permitted. Since the amendments to Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The amendments have not had material impact on the Company financial statements.

Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The Company has made application of all the effective amendments during the reporting period.

The amendments have not had material impact on the Company financial statements.

The following pronouncements issued by the IASB are effective for periods commencing on or after 1 January 2023. The Company's financial reporting is not expected to be materially impacted by these pronouncements:

- IFRS 17 Insurance
- Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules

5. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The Company intends to adopt these standards, if applicable when they become effective.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements for annual reporting periods beginning on or after 1 January 2024

In May 2023, the IASB issued the final amendments to IAS 7 and IFRS 7 which address the disclosure requirements to enhance the transparency of supplier finance arrangements.

The amendments require the entity to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The adoption of amendments to IAS 7 and IFRS 7 regarding Supply Chain Financing programs will necessitate additional disclosures concerning the Company's use of these programs in its financial statements.

Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates for annual reporting periods beginning on or after 1 January 2025

In August 2023, the IASB amended IAS 21 to clarify whether a currency is exchangeable, and how to determine a spot rate if it is not.

The amendments state that a currency is exchangeable when an entity is able to exchange that currency for another currency through market or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose.

A currency is not exchangeable into another currency if an entity can only obtain an insignificant amount of the other currency. If a currency is not exchangeable at the measurement date, the entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction between market participants at the measurement date under prevailing economic conditions.

Given the uncertain availability of hard currencies in Tanzania, the Company is evaluating the potential financial impact of adopting the amendments to IAS 21.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (The effective date was removed temporarily by the IASB)

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB

The amendment is not expected to have a material effect on the Company's financial statements.

5. STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE *Continued*

Amendments to IFRS 16, Leases – Lease Liability in a Sale and Leaseback. Annual periods beginning on or after 1 January 2024

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted

The adoption of the amendments to IFRS 16 is not expected to materially impact the Company's financial statements as the Company usually does not typically engage in sale and leaseback transactions.

Amendments to IAS 1 - Non-current liabilities with covenants. Annual periods beginning on or after 1 January 2024.

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve the information an entity provides related to liabilities subject to these conditions. As well the existence of covenants within the next twelve months doesn't automatically make the liability current if the entity has the right to defer settlement.

The Company does not expect to be materially impacted by the amendments. And assessing in case additional disclosures are needed in the Company's financial statements.

6. 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.

Expected credit losses

The Company assesses the financial assets portfolio to determine whether an impairment loss should be recorded in profit or loss. The Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows of an individual debtor in that portfolio. The Company performs impairment assessment during recognition of the financial assets taking into consideration forward-looking information pertaining to a specific debtor or a certain debtor’s portfolio. The assessment of the correlation between historically observed default rates, forecasts of economic conditions, and ECLs involves estimation. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company’s historical credit loss experience and forecast of economic conditions may also not be representative of the customer’s actual default in the future.

More information on impairment losses including the carrying amounts of the balances affected is presented in Note 23, 24 and 25.

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 18,19 and 20.

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 29.

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 is subject to significant estimates. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. The discount rate used in the calculation of the provision as at 31 December 2023 equalled 10% (2022: 10.4%). Refer to Note 31 for more information on the quarry rehabilitation provision.

Asset useful lives

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

For the carrying amount of property, plant, and equipment, refer to Note 18 to the financial statements.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS *Continued*

Contingencies

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

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

For details on the contingent liabilities amounts, refer to Note 39 to the financial statements.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues, depending on the conditions prevailing in the respective domicile of the companies.

For disclosures and details on tax and tax contingencies, refer to Notes 32 and 39 of the financial statements.

Leases

Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Company would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

Determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that are within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Company includes the renewal period as part of the lease term for the leases recognised. The Company typically exercises its option to renew for leases because there will be a significant negative effect on operations if a replacement asset is not readily available. The renewal periods for leases are not included as part of the lease term if they are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregated revenue information

The Company presents disaggregated revenue based on the type of goods provided to customers and the timing of transfer of the goods. The Company's revenue is recognized at a point in time.

Set out below is the disaggregation of the Company's revenue from contracts with customers.

Sales revenues distribution by product:

Figures in TZS '000	2023	2022
Twiga cement plus	338,957,481	345,646,240
Twiga cement extra	48,678,486	72,908,410
Twiga cement ordinary	72,092,638	71,103,809
Twiga cement super	2,889,403	5,057,724
Twiga cement mega	3,817,447	-
Coal	23,736,374	6,652,824
Total Sales	**490,171,829**	**501,369,007**

Sales revenue distribution in both domestic and export Markets:

Domestic sales	410,322,340	424,136,605
Export sales	79,849,489	77,232,402
Total Sales	**490,171,829**	**501,369,007**

8. OTHER OPERATING INCOME

Figures in TZS '000	2023	2022
Gain on disposal of property, plant and equipment	8,540,612	-
Other income	1,204,532	501,513
	9,745,144	**501,513**

Other income mainly includes the revenue from hiring of cement bulk tankers.

9. COST OF SALES

Figures in TZS '000	2023	2022
Variable costs	270,495,567	277,113,454
Fixed production costs	38,634,353	39,696,854
Provision for slow-moving and obsolescence (Note 22 [a])	2,902,936	1,167,340
Release of impairment of obsolete consumables	-	(195,682)
Depreciation, amortisation, and impairment (Note 18)	18,410,421	17,123,039
	330,443,277	**334,905,005**

Cost of sales includes the cost incurred on raw materials, fuel, electricity, personnel, maintenance, distribution, and other production expenses. Depreciation incurred for factory machines and equipment is presented separately in Note 12.

Included in cost of sales variable costs are:

		2023	2022
Distribution costs		30,155,897	29,774,443
Raw materials costs		89,480,252	117,513,969
Energy costs		86,385,680	86,106,713
Grinding and packaging costs		20,163,974	28,737,893
Consumables costs		7,195,426	7,256,512
Costs of goods for resale - coal		21,003,101	6,312,662
Excise duty costs		15,607,272	-
Other variable production costs		503,965	1,411,262
		270,495,567	**277,113,454**

Included in cost of sales - fixed production costs are:

		2023	2022
Cost of repair and maintenance costs		17,450,453	17,319,827
Staff costs	13	16,969,940	15,247,314
Consultancy and insurance costs		1,785,319	2,022,209
Security and safety gears costs		1,685,495	1,561,493
Other fixed production costs		743,146	3,546,011
		38,634,353	**39,696,854**

10. SELLING AND MARKETING COSTS

Figures in TZS '000		2023	2022
Staff costs	13	2,200,141	2,102,067
Marketing, advertising and sales costs		3,691,588	980,635
		5,891,729	**3,082,702**

11. ADMINISTRATIVE COSTS

Figures in TZS '000		2023	2022
Staff costs	13	4,989,559	4,929,137
Consultancy and insurance costs		4,883,488	4,228,003
Management fees		6,697,984	5,089,556
Other administrative expenses		9,460,556	7,342,445
Depreciation, amortisation and impairment		3,408,428	3,522,368
		29,440,015	**25,111,509**
Included in Other administrative expenses are:			
Audit fees		183,979	175,218
Donations and corporate social responsibility		164,731	646,084
Environmental, overheads & other admin costs		6,162,930	3,237,336
Expense relating to short-term leases of low-value assets		1,027,550	1,549,793
Travelling costs		1,099,431	1,026,321
Legal fees		757,672	598,955
Directors' remuneration		64,263	108,738
		9,460,556	**7,342,445**

12. DEPRECIATION AND AMORTISATION

Figures in TZS '000	2023	2022
Depreciation of property plant and equipment (Note 18)	18,410,421	17,123,039
Depreciation expense of right-of-use assets (Note 21)	3,329,725	3,301,303
Amortisation of intangible assets (Note 19)	50,857	193,219
Amortisation of lease hold land (Note 20)	27,846	27,846
	21,818,849	**20,645,407**

13. STAFF COSTS

Figures in TZS '000		2023	2022
Staff costs under:			
Cost of sales		16,969,940	15,247,314
Selling and marketing costs		2,200,141	2,102,067
Administrative expenses		4,989,559	4,929,137
		24,159,640	**22,278,518**
Staff costs is made up of:			
Salaries, wages and bonuses		11,614,456	11,070,705
Expats staff costs (technical assistance)		4,460,031	3,383,879
Social Security Contribution		1,448,848	1,364,100
Payroll tax (SDL and WCF)	30	626,940	637,157
Post employment - current service costs	29	336,169	300,809
Allowances i.e. leave, shift etc		2,637,592	2,563,444
Medical, training, meals and beverages		1,598,521	1,577,242
Other employment costs and employee benefits		1,437,083	1,381,182
		24,159,640	**22,278,518**

14. OTHER OPERATING EXPENSES

Figures in TZS '000	2023	2022
Local government levies and taxes	1,504,148	2,379,144
Research and exploration costs	-	348,531
	1,504,148	**2,727,675**

15. FINANCE INCOME

FINANCE INCOME

Figures in TZS '000	2023	2022
Interest income on short term bank deposits	3,092,852	3,139,579
	3,092,852	**3,139,579**

16. FINANCE COSTS

Figures in TZS '000		2023	2022
Interest expense on employment obligations	29	513,851	445,062
Interest expense on lease liabilities		537,623	810,519
		1,051,474	**1,255,581**

17. NET GAIN/ (LOSS) ON FOREIGN CURRENCY TRANSLATION

Figures in TZS '000	2023	2022
Exchange gain - realised	2,352,150	1,443,794
Exchange loss - realised	(1,875,875)	(481,847)
Sub-total	**476,275**	**961,947**
Exchange gain - unrealised	8,533,624	1,513,963
Exchange loss - unrealised	(214,567)	(645,917)
Sub-total	**8,319,057**	**868,046**
Net foreign exchange gains	**8,795,332**	**1,829,993**
Net foreign exchange gains/(losses) distribution		
Net unrealised exchange gains are made up of:		
Impacting cash and bank	7,386,138	801,765
Impacting operating receivables, payables and others	932,919	66,281
	8,319,057	**868,046**
Net realised exchange gains/(losses) are made up of:		
Impacting cash and bank	(110,879)	557,639
Impacting operating receivables, payables and others	587,154	404,308
	476,275	**961,947**
Net foreign exchange gains	**8,795,332**	**1,829,993**

18. PROPERTY, PLANT, AND EQUIPMENT (PPE)

No property, plant and equipment have been pledged as collateral for liabilities.

Figures in TZS'000	Building and Roads	Production machinery & equipment	Furniture, fixtures, motor vehicles & other equipment	Capital items in stock **	Capital work-in-progress (CWIP)	Total
Cost						
At 01 January 2022	51,287,011	238,465,953	18,367,322	1,994,264	15,264,655	325,379,205
Additions		169,421		-	14,441,617	14,611,038
Transfers	1,835,461	6,395,718	682,825	-	(8,914,004)	-
At 31 December 2022	53,122,472	245,031,092	19,050,147	1,994,264	20,792,268	339,990,243
At 01 January 2023	53,122,472	245,031,092	19,050,147	1,994,264	20,792,268	339,990,243
Additions		-		1,561,510	10,404,693	11,966,203
Transfers	677,680	15,278,185	1,706,101	(402,895)	(17,758,210)	(499,139)*
Disposal	(55,728)	-	(45,000)	-	-	(100,728)
At 31 December 2023	53,744,424	260,309,277	20,711,248	3,152,879	13,438,751	351,356,579
Accumulated depreciation						
At 01 January 2022	22,955,178	140,319,821	16,143,190	1,118,915	-	180,537,104
Charge during the year	2,118,120	14,083,180	921,739	-		17,123,039
At 31 December 2022	25,073,298	154,403,001	17,064,929	1,118,915	-	197,660,143
At 01 January 2023	25,073,298	154,403,001	17,064,929	1,118,915	-	197,660,143
Charge during the year	2,132,906	14,626,394	974,353	676,768		18,410,421
Disposal	(55,728)	-	(45,000)	-		(100,728)
At 31 December 2023	27,150,476	169,029,395	17,994,282	1,795,683	-	215,969,836
Net carrying amount						
At 31 December 2022	28,049,174	90,628,091	1,985,218	875,349	20,792,268	142,330,100
At 31 December 2023	26,593,948	91,279,882	2,716,966	1,357,196	13,438,751	135,386,743

*Includes TZS 402.9 million relating to capital items in stock expensed to P&L and TZS 96.2 million relating to additions to intangible assets (Note 19).
**Capital items in stock include spare parts with an expected useful life beyond 5 years and purchase value of TZS 150 million or more.

19. INTANGIBLE ASSETS

Figures in TZS'000	Software	Mining rights	Total
Cost			
At 01 January 2022	4,889,883	919,530	5,809,413
Additions - Transfer from CWIP	-	-	-
At 31 December 2022	**4,889,883**	**919,530**	**5,809,413**
Accumulated amortisation			
At 01 January 2022	4,680,562	122,314	4,802,876
Charge during the year	193,219	-	193,219
At 31 December 2022	**4,873,781**	**122,314**	**4,996,095**
Carrying value at 31 December 2022	**16,102**	**797,216**	**813,318**
Cost			
At 01 January 2023	4,889,883	919,530	5,809,413
Additions - Transfer from CWIP	96,245	-	96,245
At 31 December 2023	**4,986,128**	**919,530**	**5,905,658**
Accumulated amortisation			
At 01 January 2023	4,873,781	122,314	4,996,095
Charge during the year	50,857	-	50,857
At 31 December 2023	**4,924,638**	**122,314**	**5,046,952**
Carrying value at 31 December 2023	**61,490.00**	**797,216**	**858,706**

20. LEASEHOLD LAND

	2023	2022
At 01 January	980,929	1,008,775
Additions	-	-
Less: Amortisation for the year	(27,846)	(27,846)
At 31 December	**953,083**	**980,929**

The lease amount was paid upfront and amortised over the useful life. The remaining lease period for leasehold land is 69 years.

21. RIGHT OF USE ASSETS

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Figures in TZS '000	Land	Equipment	Total
As at 01 January 2022	179,305	803,178	982,483
Additions	-	6,652,811	6,652,811
Depreciation expense	(3,320)	(3,297,983)	(3,301,303)
Write off	-	-	-
As at 31 December 2022	**175,985**	**4,158,006**	**4,333,991**
As at 01 January 2023	175,985	4,158,006	4,333,991
Additions	-	-	-
Depreciation expense	(3,320)	(3,326,405)	(3,329,725)
Write off	-	-	-
As at 31 December 2023	**172,665**	**831,601**	**1,004,266**

The Company has lease contracts for equipment and land for limestone extraction and factory area for its operations. Leases of land generally have lease terms of 99 years and equipment for 3.25 years. The Company also has certain leases of printers with lease terms of 12 months or less and leases of expatriate's houses with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases. Refer to Note 28 for further disclosures on leases.

22. INVENTORIES

Figures in TZS '000		2023	2022
Raw materials and additives		30,232,752	20,377,205
Spare-parts		56,559,475	56,294,104
Consumables		13,378,546	12,815,698
Work - in - progress		3,654,565	2,187,473
Finished goods and goods for resale			
- Twiga extra cement		941,270	473,289
- Twiga ordinary cement		595,487	708,974
- Twiga plus cement		1,396,628	450,382
- Twiga mega cement		384,220	-
- Coal for resale		4,299,359	9,766,100
Less: Provision for slow moving stock - spareparts and other materials	(a)	(19,909,081)	(17,006,145)
Provision for impairment of stock	(b)	(74,160)	(74,160)
		91,459,061	**85,992,920**

22. INVENTORIES *Continued*

(a) Provision for slow-moving and obsolete stock

Figures in TZS '000	2023	2022
At 01 January	17,006,145	15,838,805
Increase in provision	2,902,936	1,167,340
At 31 December	**19,909,081**	**17,006,145**
the provision for slow moving stock is composed of;		
Spare parts	**17,308,227**	**15,538,221**
Consumables	**2,600,854**	**1,467,924**
	19,909,081	**17,006,145**

(b) Provision for impairment of spare parts and consumables

Figures in TZS '000	2023	2022
At 01 January	74,160	269,842
Release of impairment of obsolete consumables	-	(195,682)
At 31 December	**74,160**	**74,160**

During the year 2022, none of the Company's inventory balances was pledged as security for liabilities.

(c) Value of inventories expenses during the year

Figures in TZS '000	2023	2022
Value of inventories expensed during the year	**180,352,585**	**170,116,214**

23. TRADE RECEIVABLES

Figures in TZS '000		2023	2022
Trade Receivables - Third Parties		54,121,145	50,332,237
Trade Receivables - Intercompany	38(iii)	8,168,709	3,859,153
		62,289,854	54,191,390
Allowance for expected credit losses		(630,287)	(630,276)
Net Trade Receivables from contract with customers		**61,659,567**	**53,561,114**

Set out below is the movement in the allowance for expected credit loss of trade receivables:

Expected credit loss	2023	2022
At 01 January	630,276	970,220
Provision for expected credit losses	12,277	-
Release of provision during the year	(12,266)	(339,944)
At 31 December	**630,287**	**630,276**

Trade receivables are non-interest bearing and are generally on 30 to 90 days payment terms.

In 2023, TZS 0.63 billion (2022: TZS 0.63 billion) was recognised as a provision for expected credit losses on trade receivables for the Company. Information about the credit exposures is disclosed in Note 42 (c).

24. OTHER SHORT-TERM OPERATING RECEIVABLES

Figures in TZS '000	2023	2022
Prepaid expenses	1,651,149	4,980,036
Other short term receivables		
Staff loans and advances	331,403	272,347
Advances to suppliers	12,907,989	15,085,945
Other receivables	5,972,160	5,065,369
	19,211,552	20,423,661
Gross receivables	**20,862,701**	**25,403,697**
Allowance for expected credit losses	(1,209,962)	(1,209,962)
	19,652,739	**24,193,735**
Movement in allowance for expected credit losses		
At 01 January	**(1,209,962)**	**(1,209,962)**
Increase in expected credit losses recognised through profit or loss	-	-
At 31 December	**(1,209,962)**	**(1,209,962)**

Among the gross figures mentioned above, gross other short-term operating receivables totalling TZS 20.9 billion encompass non-financial assets totalling TZS 14.6 billion and financial assets amounting to TZS 6.3 billion.

Terms and conditions of the above other short term receivables:
Staff advances are amounts raised to staff for small value expenses such as travelling costs that cannot be certainly determined in advance. These are non-interest-bearing and must be retired within 30 days. On aggregate, such balances are not material and their quick retirement period of 30 days since they were advanced reduces any risk of impairment.

Advances to suppliers are non-interest bearing and are generally on a maximum of 90 days terms. The balance at year-end represents down payment to suppliers for upcoming deliveries and port clearing charges. Immediately as such deliveries are made, normally within two months, respective expenses as applicable are actualised. Management has assessed impairment on such balances and concluded that default is remote, and any provision would be immaterial.

Other receivables include tax deposits for pending tax matters under objection.

25. OTHER FINANCIAL ASSETS

Other financial assets include the amount receivable from the sale of the Company's property. The Company sold part of its owned land located at Kinondoni Municipality, Plot 6/2/1, Plot 6/2/2, Plot 6/2/3, Plot 6/2/4, and Lugoba aggregates plant.

As at 31 December 2023, the outstanding amounts relate to the Lugoba aggregates plant, the expected conclusion of repayments to be by or before December 2025.

Amount receivable as at 31 December

Figures in TZS '000	2023	2022
Balance brought forward	1,174,000	1,396,000
Proceeds received	(282,000)	(222,000)
As at 31 December	**892,000**	**1,174,000**
Current portion	540,000	600,000
Non current portion	352,000	574,000
	892,000	**1,174,000**

26. CASH AND CASH EQUIVALENTS

Figures in TZS '000	2023	2022
Cash at bank - local currency	24,223,349	13,548,845
Cash at bank - foreign currency	107,128,531	91,948,287
Cash at hand	17,735	15,512
	131,369,615	**105,512,644**

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	131,369,615	105,512,644
Net cash and cash equivalent	**131,369,615**	**105,512,644**

27. SHARE CAPITAL

Figures in TZS '000	2023	2022
AUTHORISED, ISSUED AND FULLY PAID UP		
179,923,100 Ordinary Shares of TZS 20 each	3,598,462	3,598,462

SHAREHOLDING

Shareholders:	Number of Shares	Number of Shares
Scancem International DA	124,598,500	124,598,500
General Public	54,923,107	54,923,107
Wazo Hill Savings and Credit Cooperative Society	401,493	401,493
	179,923,100	**179,923,100**

28. LEASE LIABILITIES

Figure in TZS '000	2023	2022
As at 01 January	4,610,947	1,231,163
Additions	-	6,652,811
Accretion of interest	537,623	810,519
Payments	(3,998,998)	(4,083,546)
As at 31 December	**1,149,572**	**4,610,947**
Current	963,806	3,461,375
Non Current	185,766	1,149,572
	1,149,572	**4,610,947**

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	3,329,725	3,301,303
Interest expense on lease liabilities	537,623	810,519
Expense relating to short-term leases of low-value assets	1,027,550	1,549,793
Total amount recognised in profit or loss	**4,894,898**	**5,661,615**

28. LEASE LIABILITIES *Continued*

The rent is paid on annual basis. The lease is renewable on expiry. There are no contingent rents payable, purchase options, and restrictions imposed on the Company associated with the lease arrangements. As at the date of these financial statements contractual terms relating to the renewal of the equipment lease were uncertain, pending tendering processes expected to be completed. Accordingly, the assessment for lease liability and the corresponding right of use asset do not consider the period beyond the contractual tenor of the lease.

The discount rate applied during the year was 19.22% for Land (2022: 19.22%) and 18.22% for Quarry Equipment (2022: 18.22%).

29. EMPLOYMENT BENEFIT OBLIGATIONS

The Company contributes to a pension 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 two schemes are defined contribution plans. The cost of the endowment scheme is fully met by the Company (See also note 6 Significant Accounting Judgements, estimates, and assumptions - Pension Obligations).

Figures in TZS '000	2023	2022
Endowment Scheme	814,427	763,718
National Social Security Fund (NSSF)	1,448,848	1,364,100
	2,263,275	**2,127,818**

In addition to the two defined contribution schemes above, the Company has entered into a voluntary agreement with the 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 cement at various stages of employment. The end-of-service benefit scheme is reported as a 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.

Figures in TZS '000	2023	2022
Present value of unfunded obligations	5,948,863	5,339,322
Net liability recognised in statement of financial position	**5,948,863**	**5,339,322**
Post-employment benefit	5,640,544	5,042,938
Other long-term benefits	308,319	296,384
	5,948,863	**5,339,322**
The amounts recognised in profit or loss:		
Current service cost	336,169	300,809
Interest on obligation	513,851	445,062
Expense/(income) recognised in profit or loss	**850,020**	**745,871**
Acturial losses/(gains) on defined benefit plan recognized in OCI:		
Post-employment benefit	269,943	(432,945)
Other long-term benefits	8,717	(15,889)
Expense/(Income) recognised in OCI	**278,660**	**(448,834)**

29. EMPLOYMENT BENEFIT OBLIGATION *Continued*

Changes in the present value of the employment benefits are as follows:

Post – employment benefits

Figures in TZS '000	2023	2022
Opening balance (end-of-service benefits)	5,042,938	5,002,504
Current service costs	321,412	286,514
Interest cost	485,133	419,558
Benefits payments	(478,882)	(232,693)
Actuarial losses/(gains)	269,943	(432,945)
Closing balance (end-of-service benefits)	**5,640,544**	**5,042,938**

Other long-term benefits

Figures in TZS '000	2023	2022
Opening balance (long-service awards)	296,383	304,439
Current service costs	14,757	14,295
Interest cost	28,718	25,504
Benefits payments	(40,257)	(31,966)
Actuarial losses/(gains)	8,717	(15,889)
- Sub-total: change in provision for other long-term benefits	11,935	(8,056)
Closing balance (long-service awards)	**308,318**	**296,383**
Total amount of obligation	**5,948,862**	**5,339,321**

Expected benefit payments.

	Post-employment benefits		*Other long-term benefits*	
	Expected benefits payments/cont		Expected contributions	
Figures in TZS '000	2023	2022	2023	2022
	TZS '000	TZS '000	TZS '000	TZS '000
In the following year	561,002	401,627	20,875	18,413
In current year +2	762,024	562,132	28,356	25,771
In current year +3	188,681	707,580	7,021	32,439
In current year +4	1,003,840	175,778	37,354	8,059
In current year +5	1,110,995	1,063,714	41,341	48,767
In current year + 6 and > (in aggregate)	3,827,927	3,507,722	142,441	160,813

The average duration of the defined benefit plan obligation at the end of the reporting period is 14.4 years (2022: 14.1 years).

Principal actuarial assumptions at the reporting date:

	2023	2022
Discount rate at 31 December	10%	10%
Future annual salary increases	5%	5%
Cost inflation	4%	5%

29. EMPLOYMENT BENEFIT OBLIGATION *Continued*

The cost of the defined benefit pension plan and other post-employment benefits and the present value of the pension obligation is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of treasury bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The mortality rate is based on publicly available mortality tables for specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates for the respective countries.

Sensitivity analysis

The assumptions with the greatest impact on the results are:

Figures in TZS '000	2023	2022
Discount +1%	5,730,880	5,137,360
Discount -1%	6,182,145	5,555,645
Service plus interest cost discount +1%	900,781	838,908
Service plus interest cost discount -1%	922,707	861,778

The sensitivity figures above are based on changes of reasonable possible changes and assumptions remaining unchanged in a period of one year. Inflation is expected to be stable. The amounts shown under discount represent the value of the obligation after changing the assumption on the statement of financial position while the amounts under interest cost shown the value of expense after changing the assumption.

The sensitivity analysis may not be representative of the actual change in the defined obligation as it is unlikely that the change in assumptions would occur.

Membership statistics

Active members[2]

	2023	2022
Headcount	246	246
Average age	43	43
Average future service	14	14
Average annual pensionable salary	35,551	33,633

The scheme has no retired or inactive members.

[2] Active members are mainly employees under the Collective Bargain Agreement

30. 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, SDL, and WCF 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:

Figure in TZS '000'	2023	2022
Skills and Development Levy	573,274	582,064
Workers compensation fund	53,666	55,093
	626,940	**637,157**

The amount deducted from employee's salaries and wages in the year in respect of Pay As You Earn (PAYE) is:

Pay As You Earn	5,946,513	5,199,093

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.

Skills and Development Levy	78,512	82,337
Pay As You Earn	997,477	791,693
Workers compensation fund	6,922	6,718

31. PROVISION FOR SITE RESTORATION

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 profit or loss.

Figure in TZS '000' Figure in TZS '000'	2023	2022
At 1 January	4,266,311	2,432,541
Provision for the year	307,142	1,833,770
At 31 December	**4,573,453**	**4,266,311**

The key assumptions used in determining the provision are:

- The useful life of the site is estimated to be 30 years and the provision is made based on the discounted expected cost of closure at the end of this period.
- The cost will be incurred in USD.
- The estimated cost is USD 0.2 per ton (2022: 0.2 PER TON) of material mined from the quarry site.
- The applicable discount rate equals 12.1% (2022: 12.56%) which fairly approximates the market rate.
- Tanzania inflation rate used was 4% (2022: 4.9%)

The expected timing of the provision is to be utilised over periods after more than one year from the reporting date.

32. INCOME TAX

i. Income tax expense

Figure in TZS '000'	2023	2022
Current income tax charge	43,714,041	44,425,808
Deferred income tax charge/(credit) - current year	384,776	(1,414,974)
Deferred income tax charge/(credit) - prior period	191,940	(271,870)
	44,290,757	**42,738,964**

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

Accounting profit before taxation	143,474,503	140,097,564
Tax applicable rate of 30% (2023: 30%)	43,042,351	42,029,269
Tax effect on non taxable/non deductible items		
Disallowable expenses for tax purposes	1,056,466	981,565
Prior year deferred tax adjustment	191,940	(271,870)
Income tax expense	**44,290,757**	**42,738,964**

iii. Deferred income tax

Accelerated depreciation for tax purposes	75,395,959	78,310,016
Provisions for post-employment benefits	(2,115,479)	(1,786,620)
Write-down of inventory to net realisable value	(19,983,242)	(17,080,305)
Actuarial losses on employee benefits obligation	(3,833,018)	(3,554,358)
Provision for impairment of receivables	(1,840,226)	(1,840,237)
Provision for quarry site restoration	(4,573,453)	(4,266,311)
Unrealised exchange loss	(214,567)	(644,260)
Unrealised exchange gain	8,533,624	1,513,963
IFRS 16 (lease) fair value adjustment	(1,412,740)	(1,544,390)
Other temporary differences	(14,757,581)	(15,551,949)
	35,199,277	33,555,549
Deferred income tax liability thereon at 30%	10,559,783	10,066,665
Less: Opening deferred tax liability	(10,066,665)	(11,618,859)
Deferred income tax charge/(credit) - current year	**493,118**	**(1,552,194)**
Deferred income tax charge/(credit) to profit	384,776	(1,414,974)
Deferred income tax charge/(credit) - prior period	191,940	(271,870)
Deferred income tax (credit)/charge to other comprehensive income	(83,598)	134,650
	493,118	**(1,552,194)**

32. INCOME TAX *Continued*

Figure in TZS '000'	2023	2022
iv. Current income tax payable/(receivable)		
Tax payable/(receivable) brought forward	521,690	28,859
Tax charge for the year	43,714,041	44,425,808
Tax payments during the year	(46,686,343)	(43,932,977)
Current income tax (recoverable)/payable	**(2,450,612)**	**521,690**

33. TRADE PAYABLES AND PROVISIONS

a. TRADE AND OTHER PAYABLES

Trade payables are non-interest bearing and are normally settled between 15 to 60 days after the invoice date.

- The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.
- Other payables are non-interest bearing and have an average term of 30 days.
- For terms and conditions relating to related parties, refer to Note 38

Figures in TZS '000		2023	2022
Trade payables - third parties		59,950,746	59,557,027
Trade payables - intercompany	38 (iii)	3,593,450	3,968,080
Accruals		11,824,710	6,556,518
Contract liabilities	34	2,187,150	4,141,365
Short-term operating payables		905,904	1,367,462
Payables for payroll and related costs		2,927,818	2,803,943
		81,389,778	**78,394,395**

b. PROVISIONS

Figures in TZS '000	2023	2022
At 01 January	13,049,775	13,329,879
Net movement in other provisions during the year	(2,466,530)	(280,104)
At 31 December	**10,583,245**	**13,049,775**

The amount above includes provisions for pending tax matters at different stages of appeals

34. CONTRACT LIABILITIES

Figures in TZS '000	2023	2022
At 01 January	4,141,365	5,439,634
Advances for cement Sales	2,187,150	4,141,365
Recognised as revenue during the year	(4,141,365)	(5,439,634)
At 31 December	**2,187,150**	**4,141,365**

The performance obligation is satisfied when cement trucks are weighed at Tanzania Portland Cement Plc's weighbridge and a delivery note is generated. Contact liabilities will be realised within an estimate of one month period after the year-end.

35. NET FINANCIAL DEBT

As of 31 December 2023, the Company had no bank overdrafts.

Figure in TZS '000'		2023	2022
Cash and cash equivalents (excluding restricted cash)		131,369,615	105,512,644
Lease liabilities	28	(1,149,572)	(4,610,947)
Net Cash/(debt)		**130,220,043**	**100,901,697**
Cash and liquid investments		131,369,615	105,512,644
Gross debt - fixed interest rates		(1,149,572)	(4,610,947)
Net Cash/(debt)		**130,220,043**	**100,901,697**

36. DIVIDEND PROPOSED AND APPROVED

Dividend approved during the year:

Figure in TZS '00(Figure in TZS '000'	2023	2022
Final dividend 2022: TZS 390 per share (2021: TZS 390 per share)	70,170,009	70,170,012
Total	**70,170,009**	**70,170,012**

Dividends paid are subject to withholding tax which is payable to Tanzania Revenue Authority.

During the period under review, there was no interim dividend declared.

Subsequent to year-end, the Board proposed a final dividend for 2023 totalling TZS 70.17 billion (2022: TZS 70.17 billion) being TZS 390 per share (2022: TZS 390 per share).

37. DIVIDEND PAYABLE

Figures in TZS '000	2023	2022
At 01 January	2,905,373	2,848,470
Dividend approved	70,170,009	70,170,012
Dividend paid	(70,150,633)	(70,113,109)
At 31 December	**2,924,749**	**2,905,373**

Dividend payable as at year end comprises of:

Figures in TZS '000	2023	2022
Scancem International DA	-	-
Other Shareholders	2,924,749	2,905,373
	2,924,749	**2,905,373**

38. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's Ultimate Holding Company is Heidelberg Cement AG incorporated in Germany and the immediate holding Company is Scancem International DA incorporated in Norway.

During the year, TPCPLC entered into transactions with Heidelberg Cement AG (the Ultimate Holding Company), HC Trading Malta, HC Green Trading Limited, and SA Cimenteries CBR Cementbedrijven, sister companies to TPCPLC. TPCPLC imports raw materials, machinery, spare parts, and services from/through the holding and sister companies. As well TPCPLC also sold coal to sister company HC Trading GMBH.

(i) Sales to related parties

The Company sells materials and spare parts to related companies. During the year TPCPLC made the following sales to related parties.

Figure in TZS '000'		2023	2022
Related party	**Relationship**		
HC Trading GMBH	Sister Company	22,614,771	6,652,824
		22,614,771	**6,652,824**

(ii) Purchases from related parties

The Company purchases raw materials, spare parts, consumables, and services from related party companies as follows:

Figure in TZS '000'		2023	2022
Related party	**Relationship**		
Heidelberg Cement AG	Ultmate parent Company	7,710,031	6,247,825
HC Trading Asia and Pacific PTE Limited	Sister Company	10,813,498	6,927,596
SA Cimenteries CBR Cementbedrijven	Sister Company	1,444,002	1,035,769
Heidelberg Cement France	Sister Company	752,588	369,481
		20,720,119	**14,580,671**

(iii) Amounts due to/from related parties

Trade payables outstanding balances to related companies at the end of the year are as follows:

Figure in TZS '000'	2023	2022
Heidelberg Cement AG	1,308,150	3,474,386
SA Cimenteries CBR Cementbedrijven	1,377,661	124,213
Heidelberg Cement France	907,639	369,481
	3,593,450	**3,968,080**

Trade receivables outstanding balances from related companies at the end of the year are as follows:

Figure in TZS '000'	2023	2022
HC Trading GMBH	7,993,434	3,859,153
Scancem International	172,275	-
	8,165,709	**3,859,153**

38. RELATED PARTY TRANSACTIONS AND BALANCES *Continued*

Terms and conditions of transactions with related parties:

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 2023, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2022: Nil). This assessment is undertaken each financial year by examining the financial position of the related parties and the market in which the related parties operate.

(iv) Key Management Personnel and Directors

a) 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.

Figures in TZS '000'	2022	2021
Short-term employee benefits (Salaries and allowances)	6,494,063	5,116,530
Post-employment benefits (defined contribution plans)	817,963	765,580
	7,312,026	**5,882,110**

- No long-term terminal benefits were paid to key management personnel during the year),
- 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.

b) Directors' Remuneration

Figures in TZS '000'	2023	2022
Non-executive Chairman	-	10,393
Non-executive Directors	64,263	88,952
Executive Director	-	9,993
	64,263	**109,338**

A schedule detailing the remuneration of each board of directors will be annexed to these financial statements for presentation at the annual general meeting.

c) Balances with Directors

No outstanding balances with the directors during the year (2022: Nil).

39. COMMITMENTS AND CONTINGENCIES

a) Commitment

Capital commitment

No major capital commitment during the year.

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:

Figure in TZS '000'	2023	2022
Guarantees and standby letters of credit received from banks	39,438,998	39,352,842

b) Contingencies

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 5 billion (2022: TZS 5 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.

Contingent asset

The court ruled in favour of TPCPLC on one of the decided civil cases and the Company is due to receive TZS 250 million. The settlement will be through TPCPLC realising assets pledged as collateral. The asset selling process is expected to be completed in 2023.

Tax assessment

The Company's future tax charge, effective tax rate, and profit before tax could be affected by several factors including tax reform introduced in Tanzania and the resolution of open tax disputes with the TRA. As at 31 December 2023, the Company had unresolved tax assessments (VAT, WHT, and PAYE) and appealed the matter to the Appeal Board.

All major tax positions taken are subject to review by executive management and reported to the Board of Directors. The Company has assessments from external advisors supporting the positions taken in respect of significant tax matters which corroborates the application and interpretation of the tax legislation. The Company has considered all matters in dispute with the TRA and has accounted for any exposure identified if required.

40. EARNINGS PER SHARE

Figures in TZS	2023	2022
Profit attributable to ordinary equity holders	99,378,808,000	97,358,600,000
Weighted average number of ordinary shares	179,923,100	179,923,100
Basic and diluted earnings per share	**552**	**541**

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

41. SEGMENT REPORTING

The Company's main product currently is cement. Most of the revenue is therefore derived from the sale of cement (as disclosed in note 7) and the Board of Directors relies primarily on revenue from the sale of cement to assess the performance.

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 consistent with that in the Statement of Profit or Loss and Other 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 and tangible non-current assets are located in Tanzania. The Company's cement sales are both in domestic and export markets.

The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

42. 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 on policies for managing each of these risks as summarised below.

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

We understand the financial impact of fluctuating exchange rates on our international activities. To mitigate these risks and safeguard our profitability, we implement a multifaceted foreign currency risk management strategy. We focus on natural hedging, aligning foreign currency revenues with expenses whenever possible, negotiating most contracts in local currency. This minimizes the impact of exchange rate movements by creating an internal buffer.

Additionally, a centralized treasury function oversees all foreign currency transactions, ensuring consistent risk management practices. We further actively monitor and analyze foreign currency markets, allowing us to identify and adapt our strategies as needed. This proactive approach ensures we remain competitive and financially secure.

The following table shows the hypothetical impact on the financial result assuming a 10% increase or decrease in the value of the foreign currency (mainly USD and EUR have been considered) against our functional currency, the Tanzanian shillings, whereby the positive values represent income and the negative values an expense in the income statement.

42. FINANCIAL RISK MANAGEMENT *Continued*

b. Foreign currency risk *Continued*

	10% Increase in the value of TZS vs. Foreign currency		10% Decrease in the value of TZS vs. Foreign currency	
Figure in TZS '000'	2023	2022	2023	2022
Net effect on profit before tax				
TZS/USD	8,625,408	7,789,384	(8,625,408)	(7,789,384)
TZS/EUR	155,946	254,224	(155,946)	(254,224)

The sensitivity analysis has been determined based on the net exposure as at 31 December 2023. 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.
Below is a summary of the financial assets and liabilities held in different foreign currencies by the company as of December 31, 2023, indicating the overall level of exposure:

	Exposure in EURO translated to TZS	Exposure in USD Translated to TZS	Total in function currency
At 31 December 2023			
Financial assets			
Trade and other receivables	18,050	16,502,753	16,520,803
Cash and cash equivalents	968,179	106,336,862	107,305,041
	986,229	**122,839,615**	**123,825,844**
Financial liabilities			
Trade and other payables	**827,841**	**7,228,887**	8,056,728
Net exposure	**158,388**	**115,610,728**	**115,769,116**
At 31 December 2022			
Financial assets			
Trade and other receivables	-	5,709,371	5,709,371
Cash and cash equivalents	1,998,727	89,836,871	91,835,598
	1,998,727	**95,546,242**	**97,544,969**
Financial liabilities			
Trade and other payables	**439,271**	**9,292,162**	**9,731,433**
Net exposure	**1,559,456**	**86,254,080**	**87,813,536**

Exchange rates applicable were as follows:

	TZS: EURO	TZS: USD
On 1 January 2023	2,561	2,372
On 31 December 2023	3,088	2,555
On 1 January 2022	2,650	2,328
On 31 December 2022	2,561	2,372

c. Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and its financing activities, including deposits with banks and financial institutions and other financial instruments.

43. FINANCIAL RISK MANAGEMENT *Continued*

c. Credit risk management *Continued*

Trade Receivables
Customer credit risk is managed by the finance department subject to the Company's established policy, procedures, and control relating to customer credit risk management. The credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.
Outstanding customer receivables are regularly monitored and any sales to major customers are generally covered by guarantee letters obtained from reputable banks and other financial institutions. For the majority of customers, including export clients, full upfront payment is demanded.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. Customer type and rating and coverage by bank guarantee). The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecasted economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historically observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historically observed default rates forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Generally, trade receivables are not written off if past due for more than one year and are subject to enforcement activity. The Company does not hold collateral as security. The letters of guarantee are considered an integral part of trade receivables and are considered in the calculation of impairment. At 31 December 2023, 73% (2022: 78%) of the Company's trade receivables are covered by letters of guarantee. For this matter, the Company evaluates the concentration of credit risk for trade receivable as low.

Set out below is the information about the credit risk exposure on the Company's trade receivables and contract assets using a provision matrix:

		Days past due			
	Current	31-90days	91 - 180 days	181 - 360 days	Total
31 December 2023					
Expected credit loss rate	*0.000%*	*0.000%*	*2.35%*	*54.76%*	
Estimated total receivables gross					
carrying amount	26,339,916	31,927,956	2,999,471	1,022,511	**62,289,854**
Expected credit loss	-	-	70,368	559,919	**630,287**
31 December 2022					
Expected credit loss rate	*0.000%*	*0.114%*	*4.35%*	*91.25%*	
Estimated total receivables gross					
carrying amount	29,777,952	22,544,193	1,266,905	602,340	**54,191,390**
Expected credit loss	-	25,605	55,060	549,611	**630,276**

In both 2023 and 2022, none of the trade receivables mentioned in the brackets were declared as default. All the trade receivables are currently undergoing a follow-up for recovery. Trade receivables above 180 days not provided for are secured by letters of guarantee.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. The Company deposits short-term cash surpluses only with banks of high credit standing.
The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2023 and 2022 is the carrying amounts as illustrated in the table below:

42. FINANCIAL RISK MANAGEMENT *Continued*

c. Credit risk management *Continued*

Maximum exposure to credit risk

Figures in TZS '000'	Notes	2023	2022
Trade receivables	23	61,659,567	53,561,114
Other short-term financial assets (excl. prepaid expenses)	24	331,403	272,347
Other financial assets	25	892,000	1,174,000
Bank balances	26	131,369,615	105,512,644
		194,252,585	**160,520,105**

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 39.

Figure in TZS '000'		2023	2022
Trade receivables	23	61,659,567	53,561,114
Guarantees and standby letters of credit received from banks		39,438,998	39,352,842
Unguaranteed trade receivables		**22,220,569**	**14,208,272**

Other financial assets

As at 31 December 2023, the amounts of the outstanding receivables of TZS 976 million relate to the Lugoba aggregates plant, the expected conclusion of repayments is to be by or before December 2025. The receivable amount is outstanding with one of our major customers with strong creditworthiness in the cement business.

While a repayment agreement is in place, it's important to note that this receivable is not secured by a letter of guarantee. Upon our impairment review, the customer's creditworthiness indicates a strong likelihood of full repayment. Additionally, no material events have impacted collectability. Therefore, no impairment provision has been recognized for this receivable.

d. Liquidity risk

The company mitigates its liquidity risk by generating adequate revenue that can effectively address its working capital requirements in the near future.

At 31 December 2023	On demand	Less than 3 months	4-12 months	1 to 5 years	More than 5 years	Total
Financial liabilities						
Trade payables - third parties	11,990,149	47,960,597	-	-	-	59,950,746
Trade payables – intercompany	718,690	2,874,760	-	-	-	3,593,450
Accruals	-	7,343,145	4,481,565	-	-	11,824,710
Lease Liabilities	343,435	1,030,305	2,747,565	161,530	1,942,831	6,225,666
	13,052,274	**59,208,807**	**7,229,130**	**161,530**	**1,942,831**	**81,594,572**
At 31 December 2022						
Financial liabilities						
Trade payables - third parties	11,911,405	47,645,622	-	-	-	59,557,027
Trade payables – intercompany	793,616	3,174,464	-	-	-	3,968,080
Accruals	-	4,071,598	2,484,920	-	-	6,556,518
Lease Liabilities	361,410	1,084,231	2,891,372	164,027	1,971,142	6,472,182
	13,066,431	**55,975,915**	**5,376,292**	**164,027**	**1,971,142**	**76,553,807**

43. FINANCIAL RISK MANAGEMENT *Continued*

d. Liquidity risk *Continued*

The Company monitors its risk of 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.

e. Fair value measurements

Except for the Company's other financial assets (current and non-current portions), the fair value of the Company's financial assets and liabilities reasonably approximates the carrying amounts as demonstrated below:

- Trade and other receivables and payables, and bank balances: Due to the 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.

Typically, the fair value of financial instruments that are traded publicly is determined based on market prices quoted at the end of the reporting period.

For the Company's other financial assets (current and non-current portions), IFRS 13 requires the Company to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Company specifies a hierarchy of fair values based on whether the inputs to the underlying valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period.
- Level 2 - the fair value is determined using a discounted cash flow model on the basis of input data that does not involve quoted prices classified in level 1, and which is directly or indirectly observable.
- Level 3 -are calculated using measurement models that include factors that cannot be observed on the active market.

The Company had no financial assets or financial liabilities that are measured at fair value on recurring basis as at 31 December 2023, the fair values are not materially different from their carrying amounts.

As of the year-end, the Company does not possess any other items measured at fair value that necessitate fair value hierarchy disclosures.

42. FINANCIAL RISK MANAGEMENT *Continued*

e. Fair value measurements *Continued*

Below describes the impact of changes in the fair value measurement in comparison to carrying amounts at amortised costs, due to the possible shift of significant observable inputs.

There were no movements in the fair value hierarchy during the year.

Figures in TZS'000	Carrying Amount (by measurement basis)			
	Amortised Cost	Fair Value Level 1	Fair Value Level 2	Total
Fair values as of 31 December 2023				
Current financial assets				
Cash and cash equivalents	131,369,615	-	-	131,369,615
Trade receivables	61,659,567	-	-	61,659,567
Other current financial assets	540,000	-	-	540,000
Non-current financial assets				
Other non-current financial assets	352,000	-	-	352,000
Current financial liabilities				
Trade payables - third parties	59,950,746	-	-	59,950,746
Trade payables – intercompany	3,593,450	-	-	3,593,450
Accruals	11,824,710	-	-	11,824,710
Non-current financial liabilities				
Non current liabilities at amortised cost	20,705,660	-	-	20,705,660
Fair values as of 31 December 2022				
Current financial assets				
Cash and cash equivalents	105,512,644	-	-	105,512,644
Trade receivables	53,561,114	-	-	53,561,114
Other current financial assets	600,000	-	-	600,000
Non-current financial assets				
Other non-current financial assets	574,000	-	-	574,000
Current financial liabilities				
Trade payables - third parties	59,557,027	-	-	59,557,027
Trade payables – intercompany	3,968,080	-	-	3,968,080
Accruals	6,556,518	-	-	6,556,518
Non-current financial liabilities				
Non-current liabilities at amortised cost	20,420,243	-	-	20,420,243

42. FINANCIAL RISK MANAGEMENT *Continued*

f. Capital management

The primary objective of the Company's capital management is to maximise shareholder value. 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 2023 and 31 December 2022 and there are no externally imposed capital requirements.

The gearing ratio remained the same at 0% as of 31 December 2023 (2022: 0%), as the Company does not have any debt.

43. CLIMATE CHANGE

As a responsible cement producer, we recognize the influence of climate change and our role in mitigating it, we are committed to reducing our carbon footprint. We actively pursue solutions beyond regulatory compliance, investing in efficient technologies and exploring alternative cement formulations to lower emissions. We continuously track our carbon emissions and prioritize resource efficiency through the use of alternative fuels including biomass. We actively participate in circular economy practices to minimize waste and resource consumption.

Our commitment extends to proactive planning for climate resilience. We invest in infrastructure improvements, water management systems, and disaster preparedness plans. Additionally, we actively test the climate risks through our risk management practices.

We acknowledge that transitioning to a low-carbon organisation involves costs and opportunities, reducing our carbon footprint remains our top priority and we prioritize transparency and accountability by engaging with investors, regulators, and stakeholders.

44. WAR IN UKRAINE

The war in Ukraine, which began in February 2022, continues to have significant global repercussions even during the year 2023. While the initial shock and immediate actions (sanctions, business pullouts) occurred in 2022, the ongoing conflict is still causing substantial disruptions. These disruptions include restrictions on imports and exports, ongoing issues in global and regional supply chains due to the fighting and increased commodity prices due to the war's impact.

As with other businesses, the war in Ukraine and its indirect consequences could still impact the Company. This could be through exposure to fluctuations in commodity prices, disruptions in supply chains, or other unforeseen effects. The situation remains fluid, with the potential for further escalation or changes in sanctions.

While the Company does not have operations in Russia or Ukraine, management will continue to closely monitor the situation and assess any potential consequences on the financial statements. This includes the impact of the war itself, ongoing sanctions, and any other developments. The Company will also continue to seek ways to mitigate the impact of these disruptions.

45. EVENTS AFTER THE REPORTING DATE

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

46. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on the date shown on the statement of financial position on page 26. They are subject to approval by the shareholders during the Annual General Meeting.

COMPANY INFORMATION

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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