



Tanzania Cigarette Public Limited Company
Rasilimali ya Tanzania

The background of the lower half of the page is a photograph of a tobacco field. In the foreground, rows of green tobacco plants with large, broad leaves are visible. In the background, there are rolling hills and a line of trees under a dramatic sky with orange and blue clouds, suggesting a sunset or sunrise.

Annual Report 2022



Annual Report 2022

Contents

Yaliyomo

Financial Highlights	01
Muhtasari wa Taarifa ya Fedha	04

01 | TCC Plc at a Glance | Mukhtasari wa TCC Plc

Our Vision and Mission	
Maono na Dhamira yetu	07
Our Values Dira yetu	08
Business Review	09
Mapitio ya Biashara Report	16
Sustainability Report	12
Ripoti ya Uendelevu	19

02 | To Our Stakeholders | Kwa Wadau Wetu

Members of the Board	23
Wajumbe wa Bodi	23
Management	28
Uongozi	28
Chairman's Statement	29
Waraka wa Mwenyekiti	31
Message from the CEO	33
Taarifa ya Mkurugenzi Mtendaji	35

03 | Reports

Corporate Information	39
Directors' Report	40
Statement of Director's Responsibility	54
Declaration by the Head of Finance	55
Independent Auditor's Report	56

04 | Financial Statements

Statement of Profit or Loss and other Comprehensive Income	61
Statement of Financial Position	62
Statement of Changes in Equity	63
Statement of Cash Flows	64

05 | Notes to the Financial statements 65-108

Financial Highlights

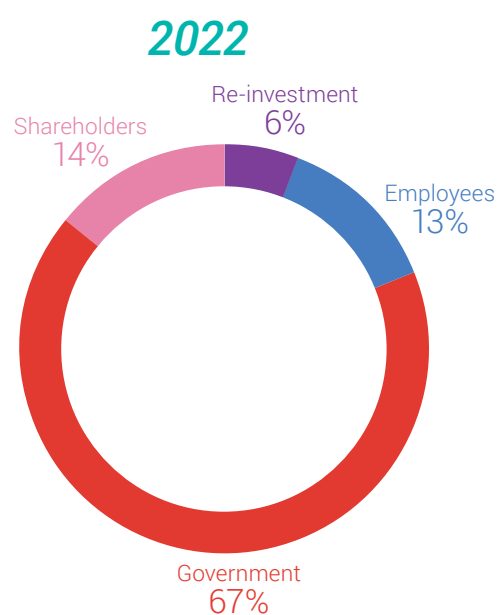
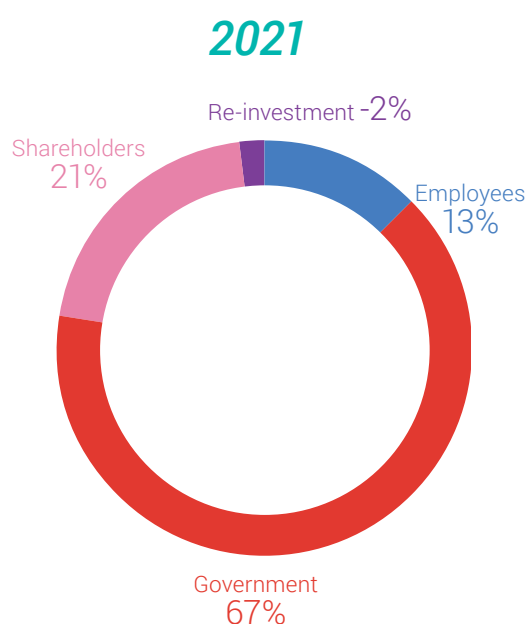
Consolidated five-years financial summary

	2018 TZS M	2019 TZS M	2020 TZS M	2021 TZS M	2022 TZS M
Revenue	294,386	309,771	279,354	312,855	340,604
EBITDA	84,185	93,380	67,733	100,040	122,527
Depreciation and amortization	13,101	13,496	13,182	13,707	14,293
Gross Profit	166,108	175,896	150,732	171,718	190,841
Operating income	71,084	79,884	54,551	86,333	108,234
Net Finance (income) expense	(397)	(1,263)	462	(1)	1,469
Corporate tax	23,544	26,936	18,166	26,780	37,558
Net income	47,936	51,248	35,924	59,555	69,205
At year end:					
Net Property, plant and equipment	98,117	97,754	93,555	85,808	79,640
Total assets	266,614	268,627	268,621	270,173	272,946
Interest bearing debts	-	-	-	20,763	12,048
Total Liabilities	76,420	81,486	96,696	117,382	112,743
Total shareholders' equity	190,194	187,141	171,925	152,791	160,203
For the year:					
Net cash generated by operating activities	49,736	74,275	56,772	58,759	64,333
Net cash used in investing activities	(13,915)	(11,808)	(8,778)	(762)	(1,701)
Net cash used in financing activities	(40,000)	(55,047)	(50,626)	(59,683)	(69,154)
Cash Flow for the year	(4,179)	7,420	(2,632)	(1,686)	(6,522)
	2018	2019	2020	2021	2022
Dividend per share (TZS)	450	550	500	800	600
Earning per share (TZS)	479	512	359	596	692
Profitability:					
Return on equity	26%	27%	20%	37%	44%
EBITDA margin	29%	30%	24%	32%	36%
Operating income margin	24%	26%	20%	28%	32%
Total assets turnover	1.10	1.15	1.04	1.16	1.25
Stability:					
Current ratio	274%	255%	223%	183%	206%
Debt ratio (total liabilities/total assets)	29%	30%	36%	43%	41%

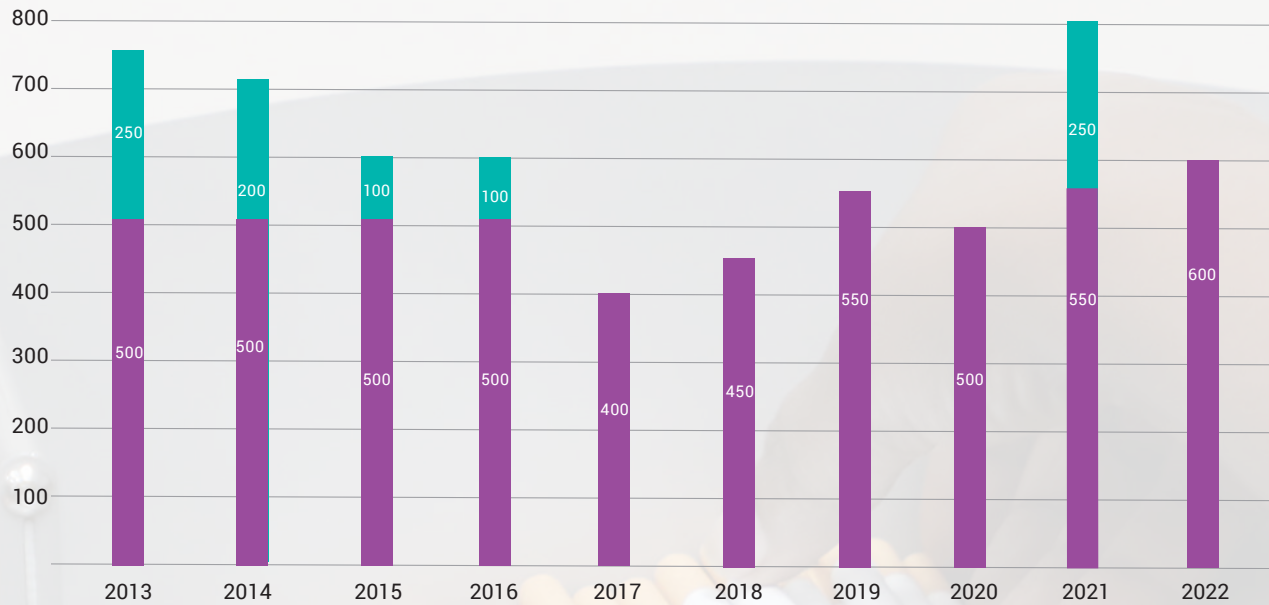
Value Added

	2022 TZS M	%	2021 TZS M	%
Gross turnover	583,681		535,549	
Operating expenditures - suppliers	(166,848)		(163,268)	
Total Value added	416,833	100.0	372,281	100.0
Value distributed as follows:				
To Employees - remuneration	52,700	12.6	49,545	13.3
To Government - vat,excise duties	243,077	58.3	222,694	59.8
To Government - corporate tax	37,558	9.0	26,780	7.2
To shareholders - dividends	60,000	14.4	80,000	21.5
To Reinvestment:				
Depreciation and amortisation	14,293	3.4	13,707	3.7
Retained income	9,205	2.2	-20,445	-5.5
Total distributions	416,833	100.0	372,281	100.0

Value Distributed %

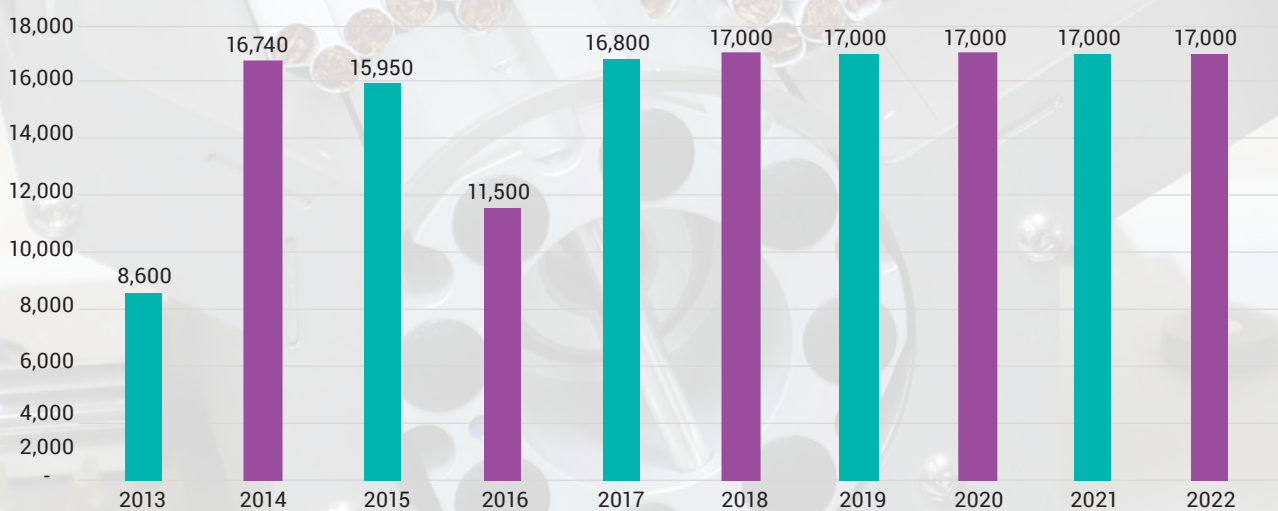


Dividend history



Share price evolution

Share price evolution (TZ/ Share): 2000-2022



Muhtasari wa Taarifa ya Fedha

Mjumuisho wa Taarifa ya Miaka Mitano

	2018 TZS M	2019 TZS M	2020 TZS M	2021 TZS M	2022 TZS M
Mapato	294,386	309,771	279,354	312,855	340,604
EBITDA	84,185	93,380	67,733	100,040	122,527
Kushuka kwa thamani na kupunguzwa kwa deni	13,101	13,496	13,182	13,707	14,293
Faida ghafi	166,108	175,896	150,732	171,718	190,841
Mapato ya uendeshaji	71,084	79,884	54,551	86,333	108,234
Fedha Halisi (mapato)	(397)	(1,263)	462	(1)	1,469
Kodi ya Mapato	23,544	26,936	18,166	26,780	37,558
Pato Halisi	47,936	51,248	35,924	59,555	69,205
Mwisho wa Mwaka:					
Majengo, Kiwanda na Vifaa vilivyobaki	98,117	97,754	93,555	85,808	79,640
Jumla ya Mali	266,614	268,627	268,621	270,173	272,946
Madeni yenye riba	-	-	-	20,763	12,048
Jumla ya Madeni	76,420	81,486	96,696	117,382	112,743
Jumla ya Thamani ya Hisa za Wanahisa	190,194	187,141	171,925	152,791	160,203
Kwa Mwaka:					
Fedha halisi iliyozalishwa kutokana na uendeshaji	49,736	74,275	56,772	58,759	64,333
Fedha halisi iliyotumika kwenye shughuli za uwekezaji	(13,915)	(11,808)	(8,778)	(762)	(1,701)
Fedha halisi zilizotumika kwenye shughuli za uwezesaji	(40,000)	(55,047)	(50,626)	(59,683)	(69,154)
Mtiririko wa pesa kwa mwaka	(4,179)	7,420	(2,632)	(1,686)	(6,522)
	2018	2019	2020	2021	2022
Mgao kwa Hisa (TZS)	450	550	500	800	600
Kipato kwa hisa (TZS)	479	512	359	596	692
Faida:					
Marejesho ya thamani ya hisa	26%	27%	20%	37%	44%
Mapato kabla ya makato	29%	30%	24%	32%	36%
Mapato baada ya gharama za uzalishaji	24%	26%	20%	28%	32%
Jumla ya Mali	1.10	1.15	1.04	1.16	1.25
Umadhubuti :					
Uwiano uliopo	274%	255%	223%	183%	206%
Uwiano wa deni (Jumla ya Madeni /Jumla ya Mali)	29%	30%	36%	43%	41%

Ongezeko la Thamani

Pato Kuu bila Makato

Gharama za uendeshaji - Wagavi

Jumla ya thamani iliyoongezeka

Thamani iligawiwa kama ifuatavyo:

Kwa Wafanyakazi - Mishahara

Kwa Serikali - Ushuru wa bidhaa,

Kodi ya bidhaa iliyoongezewa

Kwa Serikali - Kodi ya Mashirika

Kwa Wanahisa - Migao

Kwenye kuwekeza upya:

Kushuka kwa thamani

na Kupunguzwa kwa Deni

Kipato kilichobakishwa

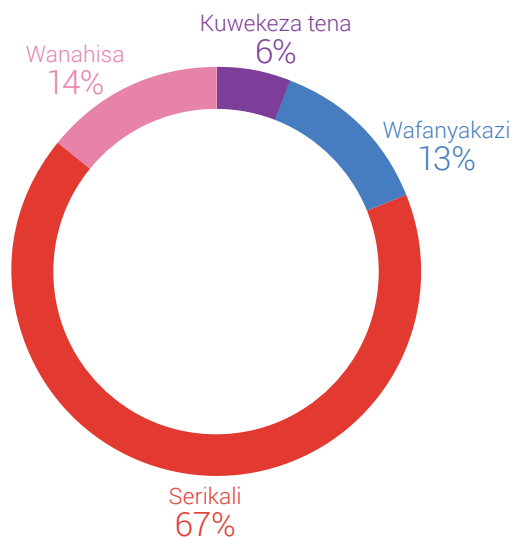
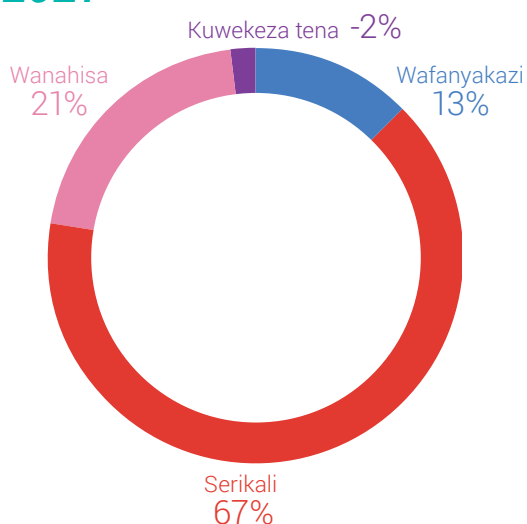
Jumla ya kilichotoka

2022 TZS M	%	2021 TZS M	%
583,681		535,549	
(166,848)		(163,268)	
416,833	100.0	372,281	100.0
52,700	12.6	49,545	13.3
243,077	58.3	222,694	59.8
37,558	9.0	26,780	7.2
60,000	14.4	80,000	21.5
14,293	3.4	13,707	3.7
9,205	2.2	-20,445	-5.5
416,833	100.0	372,281	100.0

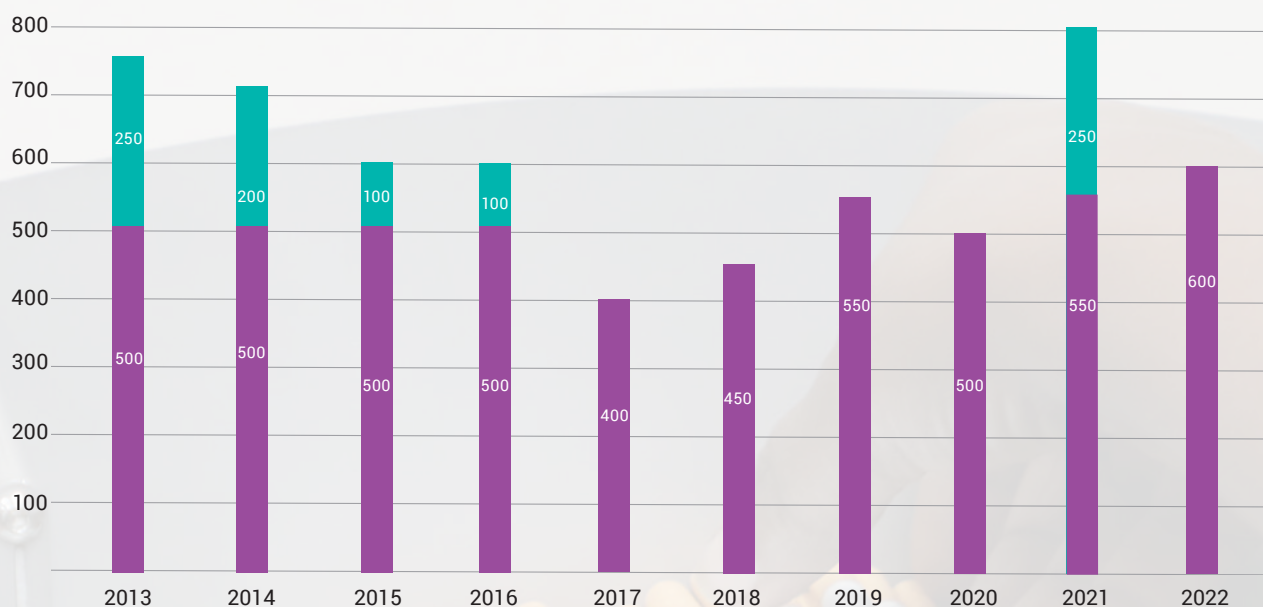
Mgawanyo wa Thamani %

2022

2021

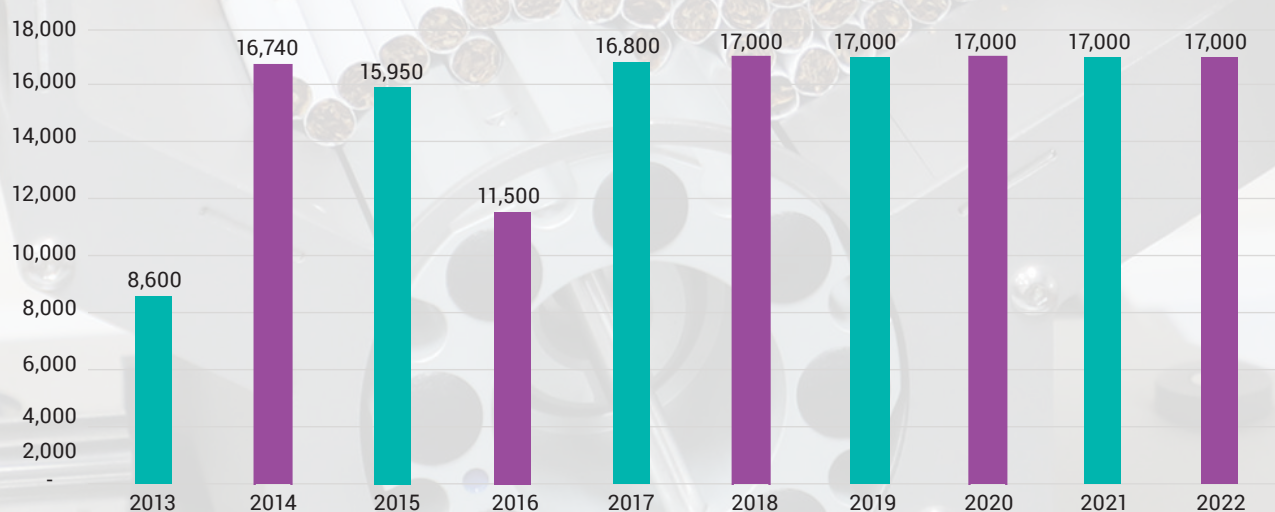


Historia ya Migao



Mabadiliko ya bei ya hisa

Mabadiliko ya bei ya hisa (TZ/Hisa): 2000-2022



Our Mission & Vision

Dira na Dhamira yetu



Our Vision

Our Vision is to continue to be the #1 tobacco company by volume in Tanzania.

Dira Yetu

Dira yetu ni kuendelea kuwa kampuni namba moja ya mauzo ya bidhaa za tumbaku Tanzania.



Our Mission

Our Mission is to grow volume and profit while defending our market share, by delivering quality brands, maximizing consumer and customer satisfaction through innovation, engaged employees, integrity and excellence in execution.

Dhamira yetu

Dhamira yetu ni kukuza mauzo na faida huku tukiimarisha mgawo wetu wa soko, kuzalisha bidhaa bora na kuendelea kuwaridhisha watumiaji na wateja kwa uwezo wetu wote kupitia ubunifu, wafanyakazi walioshirikishwa, uadilifu na umahiri katika utendaji.



Our Values | Maadili Yetu



Winning attitude

We are driven by success. We are passionate, committed, dedicated.

Mwelekeo wa ushindi

Tunasukumwa na mafanikio. Tunajitolea kwa ari na shauku.



Better together

We work as "One Team". We are harmonious, respectful, humble, collaborative, consensus-driven and embrace diversity.

Umoja ni nguvu

Tunafanya kazi kama "Timu Moja". Sisi ni wenye usawa, wanyenyekevu, wenye ushirikiano, wanaoendeshwa kwa maelewano na kukumbatia utofauti.



Commitment to quality

We put the consumer at the heart of what we do. We seek operational excellence and simplicity - quality fit for purpose.

Wajibu katika ubora

Tunaweka watumiaji wa bidhaa zetu mbele kwenye kila tunachofanya. Tunatafuta ubora wa kiuendeshaji na urahisi - ubora unaofaa.

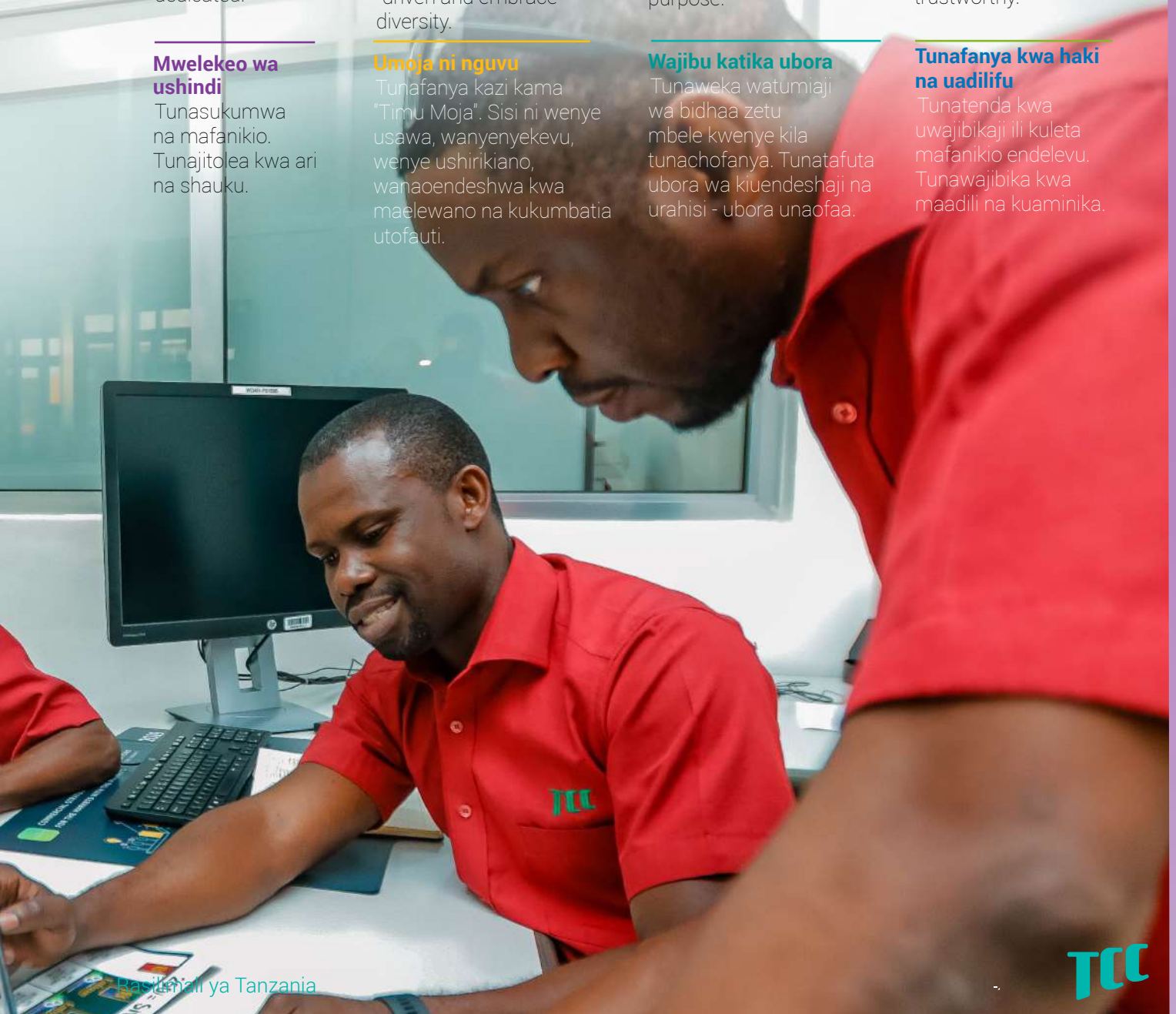


We do the right thing

We act responsibly to drive sustainable success. We are responsible ethical and trustworthy.

Tunafanya kwa haki na uadilifu

Tunatenda kwa uwajibikaji ili kuleta mafanikio endelevu. Tunawajibika kwa maadili na kuaminika.

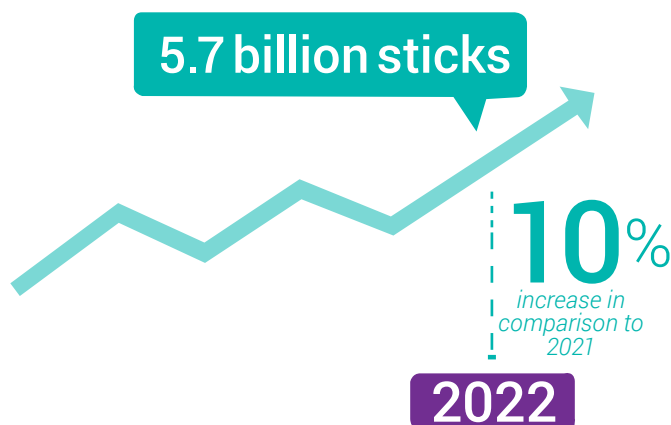


Business Review

FY 2021 VS FY 2022

Total volume		17.6% on PY
Revenue	340.6 Billion Tanzanian Shillings	8.9% on PY
Gross profit	190.8 Billion Tanzanian Shillings	11.0% on PY
Operating expenses	84.1 Billion Tanzanian Shillings	-1.8% on PY
Profit before tax	106.8 Billion Tanzanian Shillings	23.7% on PY
Net profit	69.2 Billion Tanzanian Shillings	16.2% on PY

“These **strategies** proved effective, as evidenced by excellent domestic sales volume, hitting yet another record with **5.7 billion sticks** sold (a 10% increase in comparison to 2021).”



Responsible Marketing

We take responsible marketing very seriously, particularly when it comes to preventing minors smoking. We only market our products to adult smokers. For our retailers, we continue to support our partners by training staff and add on our promotional materials & packaging to reinforce the message that underage sale and usage are not allowed.

Our performance in the cigarette industry has been exemplary and our market share has continuously improved despite the effects of the COVID-19 pandemic and the Russia/Ukraine war. Not only are we keen on focusing on our expansion in the market, but we are also determined to make it right and sustainable using equitable financial resources.

We closed 2022 with a market share of 91.2% amidst growing competition from domestic and imported tobacco products.



Sales

In 2022 the company continued the motorcycle program and enrolled 100 private motorcycle salesmen which resulted to 50% retail coverage expansion. The company also introduced wholesaler business forum platforms to engage with our partners, exchange plans and skills. These strategies proved effective, as evidenced by excellent domestic sales volume, hitting yet another record with 5.7 billion sticks sold (a 10% increase in comparison to 2021). Moreover, our wholesale coverage increased from 998 to 1200 (20%) supporting volume growth and trade stock optimization.

Talent Management

In 2022, the company focused on investing in its people and their talents to ensure they reach their potential and develop more opportunities for growth. This provides a good platform for employees to advance their careers with approximately TZS 212 million being invested in training and development programs. The company also continues to identify and grow potential candidates where 50% of management roles were succeeded by internal employees with 1.4% increase in female hire.

Diversity, Equity and Inclusion (DE&I)

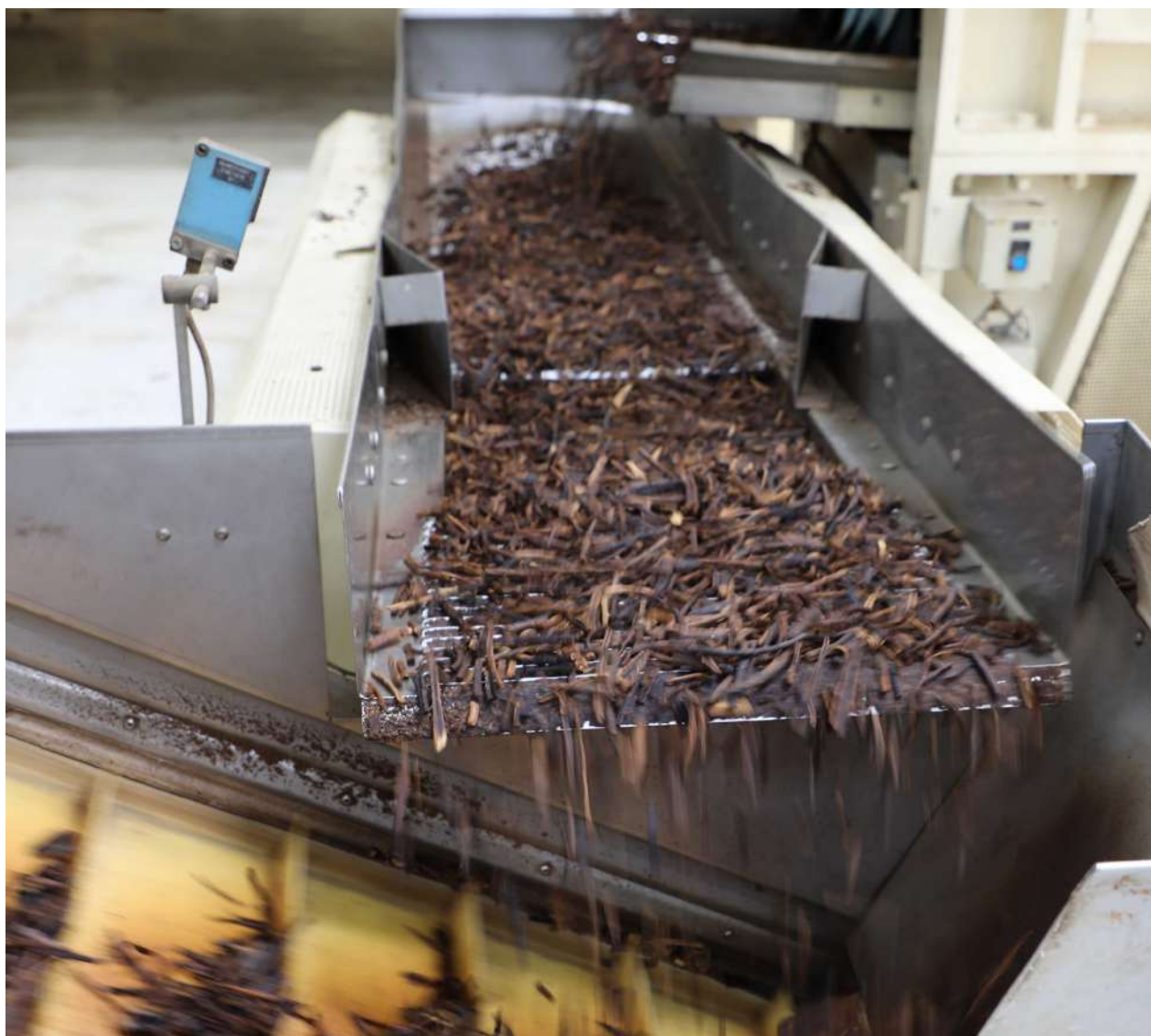
Diversity, Equity and Inclusion at TCC Plc has its focus on race and ethnicity, different age groups, wellbeing, gender, people with disabilities and new ways of working. In 2022 we continued to engage wherever possible with external partners to create change and foster a culture of inclusivity within our workspace. We held our first DE&I day for all employees to celebrate diversity of thoughts and the outcomes it delivers in making our company better and create a working environment that is accommodative to all.

Production

Our manufacturing team has been working tirelessly to produce products that meet the evolving needs of our customers despite global economic challenges. In 2022, our factory recorded the highest annual production volume of 9.1 billion sticks of cigarettes in its history of 61 years, whereas 5.7 billion sticks of cigarettes were sold in the domestic market, the rest were exported to our SADC markets including DRC, Mauritius, Namibia and Mozambique.

As part of the company's strategy to increase production efficiency, the factory team rolled out a catalyst to our continuous improvement and performance sustainability called Integrated Work System (IWS) across two mid-speed machine lines which will fuel delivery of the company's vision 2030.

Moreover, our factory continued to support the company's growth agenda and One Team philosophy through provision of technical support by relocating talents on Short Term Assignments (STA) basis to other JTI entities including Sudan and Iran.



Sustainability Report

Tanzania Cigarette Public Limited Company's (TCC Plc) sustainability strategy is guided by the Global Sustainability Strategy. We believe that sustainability is a balanced action between different activities, stakeholders and resources. Our commitment towards having a sustainable footprint revolves around continuous improvement in our sustainability strategy and its contribution towards the Sustainable Development Goals. As TCC Plc, our sustainability commitments revolve around our products, services, the people we interact with, our supply chain, the regulatory environment and fighting illegal trade.

Environmental Assessment

We are committed to protecting the environment and making a positive difference in the areas we operate through long-term partnerships with various stakeholders, volunteering opportunities, and new skills development. As we continue to face continuous environmental and societal concerns, we are committed to reducing our greenhouse gas emissions through sustainable business practices.

In assessing our environmental footprint, we focus on core areas of Greenhouse Gas (GHG) emissions, energy consumption, water usage and waste management by projecting how much of these elements will be produced because of our processes. Every month, we engage our people in one or two-day energy treasure hunts per department. These hunts help identify low-cost energy-saving opportunities from behavioural, operational and maintenance actions.

Greenhouse Gas (GHG) Emissions



TCC Plc's GHG emissions are monitored electronically and directed under International Organization for Standardization (ISO) 14001: 2018 - Environmental Management Systems. Our continued efforts to reducing our GHG emissions by actively monitoring our carbon footprint roadmaps have allowed us to reduce emissions by 211 tones in 2021 through installation of a solar powered system. Our emissions in the year 2022 stood at 617 kg/MMCig. Note: GHG emissions include carbon dioxide emissions as well as other emissions whose impacts are measured via a common conversion rate as the CO2 emission equivalent rate. Environmental performances are measured using kg/MMCig (kilogram per millions of cigarettes produced) and GJ/MMCig (gigajoules per millions of cigarettes produced).

Energy Consumptions



In the year 2020, we installed a 70kW (kilowatt) solar powered system to supply electricity to the entire administrative wing of TCC Plc. In the year 2022, we increased our commitment towards a clean energy project. We have made an investment to produce an additional 300kW which has the potential to supply electricity to all other offices. Our energy management systems are guided by ISO 50001:2018 - Energy Management Systems. They are reviewed annually and independent reviews are conducted at periodic intervals. In the year 2022, the energy consumption stood at 12.165 GJ/MMCig.

Water and Waste Management



TCC Plc has installed a water treatment plant that allows water waste from production to be treated and re-used in the irrigation systems within our compound. In the year 2022, we successfully treated 36.79% of the water and reduced water usage by 37.09%. We have also increased our recycling rate to 57.58% by ensuring all non-tobacco materials from manufacturing processes are correctly identified and recycled. Furthermore, the increase in our recycling rate was also a result of our commitment to incorporating recyclable materials into our value chain system.

Social Assessment

Like any other business, attracting the right talent leads to business growth and value addition. This is also an important aspect of our success at TCC Plc. We strive to create a sense of importance and awareness in this space by actively contributing to our ethical duties. By investing in our people intelligently, we directly impact our ability to strengthen cultural values and the contribution we make in our communities.

Supplier Screening

TCC Plc's supplier screening process is managed by the Procurement Management Unit (PMU) and strictly governs how we procure through a tendering process or through the selection of a single-source procurement channel. The processes and results can be scrutinized at the group level. All our tendering and bidding activities are undertaken on our group's global platform. This promotes accountability and transparency across our procurement unit.

Community Investment Programs

TZS 350.6 million in the year 2022

26.05%
Higher

Our community investment programs allow all members of the community to thrive and play an active role in our society. We have contributed TZS 350.6 million in the year 2022; which is 26.05% higher than what was contributed in the year 2021. A proportion of 45.4% of the community investment funds were channeled to the empowerment programs followed by people with disability which stood at 23.5%.

Health and Safety

We believe in providing an environment that is safe and conducive to work, and we reported a 0% injury rate in 2022. We encourage our department leaders to initiate safety measures and provide feedback for process improvement. Our internal occupational health and safety policy complies with ISO 45001:2018 - Occupational Health and Safety which accommodates flexibility, accountability and reporting. It also undergoes continual improvement cycles to meet our ever-changing risk portfolios

0%
Injury rate
reported

New Ways of Working (NWOW) Policy

We are delighted to announce our New Ways of Working Policy, which provides good flexibility for employees to work from upcountry regions for up to 15 days and from abroad for 10 days. The NWOW policy also provides support to employees to ensure they have the right set up home-based offices that conform to ergonomic guidelines. The policy reflects the evolution of our workplace and the way we work together with the purpose of continuing to enhance our productivity. TCC Plc is proud to be recognized as Tanzania and Africa's Top Employer for the fifth year in a row by the Top Employer Institute and also employer of the year award under Governance & Leadership by the Association of Tanzania Employers (ATE). Additionally, we have achieved Investor in People Gold accreditation in our efforts to continue investing in our people which is an assessment of how companies make work better by putting their people first and caring about the work-life balance for building a sustainable and a resilient society.



Governance Assessment

Our Governance, Risk and Compliance (GRC) structure enables us to raise corporate values and achieve sustainable growth in profitability over the medium to long term. We are committed to ensuring that we comply with the highest standards of business ethics and have been awarded by the Tanzania Revenue Authority as the most compliant taxpayer in the manufacturing sector for the year 2021/2022.

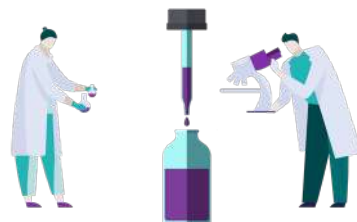
TCC Plc's Code of Conduct expresses the highest level of standards that we are required to commit to and uphold, and works concurrently with our supplier standards. We are a zero-tolerance company towards bribery and corruption in business dealings, and may terminate agreements with suppliers who have been found to be involved in any form of bribery and/or corruption in any form.

Illegal Tobacco Trades



We are aware of the damage that illegal tobacco trades have on the tobacco industry, the economy and the government's ability to collect taxes. We support the Framework Convention on Tobacco Control (FCTC) and are in continuous engagement with Tanzania Medicine & Medical Devices Authority (TMDA), Tanzania Revenue Authority (TRA), Tanzania Bureau of Standards (TBS), Fair Competition Commission (FCC) and Tanzania Police Force to fight illegal tobacco trade. We are determined to contribute to national-level policies and promote a fair and balanced tobacco regulatory environment to fight illegal trade.

Quality Management



Quality management on our part is all about continuous improvement of the organization, management systems, and support processes. Output characteristics and the design of our production processes are streamlined according to the requirements in terms of quality, time and cost. We have established a quality management system that is continuously improved in accordance with ISO 9001 International Standard, statutory and regulatory requirements. We endeavor to continue delivering quality brands that maximize consumer and customer satisfaction through innovation.

Standardization of our production processes largely facilitates effective data quality assessment. Quality assurance comprises all measures that ensure quality requirements are explicitly documented. Our monitoring and evaluation of input materials and production processes ensures high quality of our products and services.





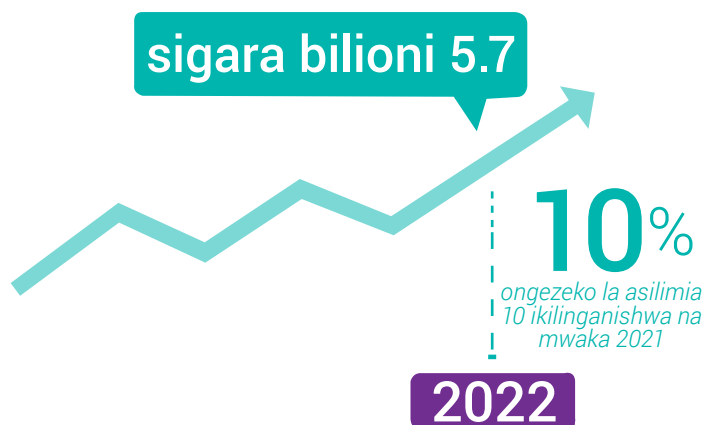
Mapitio ya Biashara

2021 Kulinganisha na 2022

Jumla Kuu		17.6%
Mapato	340.6 Shilingi bilioni za Kitanzania	8.9%
Faida ghafi	190.8 Shilingi bilioni za Kitanzania	11.0%
Gharama za uendeshaji	84.1 Shilingi bilioni za Kitanzania	-1.8%
Faida kabla ya kodi	106.8 Shilingi bilioni za Kitanzania	23.7%
Faida halisi	69.2 Shilingi bilioni za Kitanzania	16.2%

Mapitio ya Biashara

***Mikakati** hii imethibitika kuwa mizuri kwa kuangalia mauzo yetu ya ndani ambayo ni dhahiri kabisa kuwa imeboreka na kufikia **sigara bilioni 5.7** (ongezeko la asilimia 10 ikilinganishwa na mwaka 2021)*



Uwajibikaji kwenye Masoko

Suala la uwajibikaji ni lenye kuchukuliwa kwa uzito wa hali ya juu sana. Hususan kwenye shughuli zihusianazo na masoko katika kuzuia uvutaji kwa watu chini ya miaka 18. Bidhaa zetu hulenga watu wazima na kamwe hazilengi watoto na vijana walio chini ya miaka 18. Tunahimiza washirika wauzao bidhaa zetu kwenye maduka yao kutowauzia watoto na vijana walio chini ya umri kwa kuwapa wafanyakazi mafunzo maalumu ikiwa ni pamoja na kuhakikisha matangazo yetu yana ainisha kuwa ni marufuku kuuza bidhaa zetu kwa watoto na vijana walio chini ya umri.

Utendaji wetu katika tasnia ya sigara umekuwa wa kipekee na biashara yetu imeendelea kukua licha ya vikwazo vilivyotokana na UVIKO na vita baina ya Urusi na Yukreni. Mbali na kukuza biashara yetu tumedhamiria kuhakikisha ukuaji huo ni sahihi na endelevu kwa kutumia vyanzo vya kiuchumi vyenye umadhubuti wa hali ya juu.

Tumefunga mwaka 2022 kwa asilimia 91.2 ya soko la sigara nchini pamoja na kuweko kwa ushindani mkubwa wa bidhaa zilizozalishwa ndani na zilizoagizwa kutoka nje ya nchi.



Mauzo

Mwaka 2022 tuliendelea na programu ya kutumia pikipiki. Katika programu hii tuliajiri wauzaji binafsi 100 wa kutumia pikipiki, jambo ambalo lilipelekea uuzaji wa rejareja kukua kwa asilimia 50. Katika jitihada nyingine, kampuni ilianzisha jukwaa la mijadala ya kibiashara ili kuwa karibu na wauzaji wetu wa jumla ikiwa ni pamoja na kupeana mipango, mikakati na mbinu za kibiashara. Mikakati hii imethibitika kuwa mizuri kwa kuangalia mauzo yetu ya ndani ambayo ni dhahiri kabisa kuwa imeboreka na kufikia sigara bilioni 5.7 (ongezeko la asilimia 10 ikilinganishwa na mwaka 2021). Aidha, uuzaji wa jumla nao uliongezeka kutoka 998 hadi kufikia 1200 (ongezeko la asilimia 20) jambo ambalo limechangia ukuaji wetu kiu jumla, hususan katika idadi ya bidhaa tunazozuia na katika ufanisi wa mauzo yenyewe.

Usimamiaji wa Rasilimali Watu

Kipaumbele cha kampuni yetu mwaka 2022 kilikuwa ni kuwekeza katika watu wake na vipaji vyao ili kuhakikisha wanafikia ubora wao, huku wakiongeza uwezo wa kukua zaidi. Hii ilitengeneza jukwaa la kipekee kwa ajili ya wafanyakazi kujiendeleza katika fani husika, huku kiasi cha TSh milioni 212 zilizielekezwa kwenye program za ukufunzi na maendeleo ya wafanyakazi. Aidha, kampuni inaendelea kutambua na kukuza wafanyakazi wake, ambapo asilimia 50 ya walioajiriwa katika nafasi za menejimenti walitoka nafasi za chini katika kampuni hii hii, huku kukiwa na ongezeko la asilimia 1.4 ya idadi ya wanawake walioajiriwa.

Utofauti, Usawa na Ujumuishwaji (DE&I)

Sera ya Utofauti, Usawa na Ujumuishwaji ya TCC Plc inahusu udhibiti wa ubaguzi wa rangi, kabila, asili, umri, afya, jinsia, na ulemavu.

Mwaka 2022 tulishirikiana na washirika wetu wa nje katika kuhakikisha tunaleta mabadiliko chanya na kuchochea mazingira jumuishi katika maeneo yetu ya kazi. Tuliweza kufanya hafla yetu ya kwanza ya DE&I kwa wafanyakazi wote kusherehekea tofauti zetu za kifika na tija zitokanazo na tofauti hizi katika kufanya kampuni yetu kuwa bora zaidi ikiwa ni pamoja na kuwa na mazingira ya kazi yaliyo jumuishi kwa wote.

Uzalishaji

Licha ya vikwazo vilivyopo ulimwenguni hivi leo, timu yetu ya uzalishaji imekuwa ikifanya kazi kwa bidii ya hali ya juu kuzalisha bidhaa zenye kukidhi mahitaji ya wateja wetu, mahitaji mbayo, kimsingi yamekuwa yakibadilika kadiri siku zinavyokwenda. Katika miaka 61 ya uzalishaji, kiwanda chetu kimefanikiwa kuzalisha kiwango kikubwa kabisa kuwahi kutokea cha sigara bilioni 9.1 ambamo bilioni 5.7 ziliuzwa ndani ya nchi na kiasi kingine kuuzwa kwenye masoko yetu ndani ya SADC zikiwemo nchi za DRC, Msumbiji, Namibia na Mauritius.

Ikiwa ni sehemu ya mkakati wa kampuni kuongeza ufanisi katika uzalishaji wake, timu ya uzalishaji kiwandani ilianzisha mfumo wa kuchochea maboresho endelevu na ufanisi uitwao IWS (Integrated Work System) ili kufanikisha dira ya kampuni ya 2030.

Sambamba na hivyo, kiwanda kimekuwa kikiendelea kubeba ajenda ya kampuni kwenye zoezi zima la ukuaji na falsafa ya timu moja, kwa kutoa msaada wa kitaaluma na kiufundi kwa kupeleka wataalamu wenye kazi za muda mfupi kwenda kwenye ofisi zingine za JTI zilizoko nchi mbali mbali zikiwemo Sudan na Iran.



Ripoti ya Uendelelevu

Ripoti ya Uendelelevu wa Kampuni ya Sigara Tanzania (TCC Plc) unaongozwa na mkakati endelevu wa kimataifa. Tunaamini kwamba uendelelevu ni hatua ya mwisho ya uwiano kati ya shughuli mbalimbali, wadau na rasilimali. Tumejitolea kuwa alama endelevu inayohusu uboreshaji endelevu wa mkakati wetu na mchango wake kuhusu Malengo ya Maendeleo Endelevu. Kama TCC Plc, ahadi zetu endelevu zinahusu bidhaa na huduma zetu, watu tunaoshirikiana nao, mfumo wetu wa ugavi, pamoja na kupambana dhidi ya biashara haramu.

Tathmini ya Mazingira

Tumejitolea kulinda mazingira na kuleta mabadiliko chanya katika maeneo tunayofanya kazi kupitia ushirikiano wa muda mrefu na wadau mbalimbali, fursa za kujitolea, na ukuzaji wa ujuzi mpya. Tunapoendelea kukabiliwa na matatizo ya kimazingira na kijamii, tumejitolea kupunguza utoaji wetu wa gesi chafuzi kupitia mbinu endelevu za biashara.

Katika kutathmini eneo letu la mazingira, tunaangazia maeneo ya msingi ya uzalishaji wa hewa ya Ukaa (GHG), matumizi ya nishati, matumizi ya maji na udhibiti wa taka kwa kukisia ni kiasi gani cha taka kinaweza kuwepo baada ya mchakato wa uzalishaji. Kila mwezi, tunashirikisha watu wetu kwenye shindano la utafutaji wa hazina ya nishati, kwa siku moja au mbili, kwa kila idara. Shindano hili husaidia kutambua fursa za gharama nafuu za kuokoa nishati kutokana na tabia, uendeshaji na matengenezo.

Uzalishaji wa hewa ya Ukaa



Uzalishaji wetu wa hewa ya Ukaa (GHG) husimamiwa kielektroniki na kuongozwa chini ya Shirika la Kimataifa la Kuweka Viwango (ISO) 14001: 2018 - Mifumo ya Usimamizi wa Mazingira. Juhudi zetu zinazoendelea za kupunguza uzalishaji wetu wa hewa ya Ukaa kwa kufuatilia kikamilifu ramani zetu za alama za kaboni zimeturuhusu kupunguza utoaji wa hewa chafu kwa tani 211 mwaka wa 2021 kwa kusakinisha Mfumo wa Nishati ya Jua. Uzalishaji wetu katika mwaka wa 2022 ulifikia 617 kg/MMCig. Kumbuka: Uzalishaji wa GHG ni pamoja na utoaji wa kaboni dioksidi pamoja na uzalishaji mwingine ambao athari zake hupimwa kupitia kiwango cha kawaida cha ubadilishaji kama kiwango sawa cha utoaji wa CO₂. Utendaji wa mazingira hupimwa kwa kutumia kilo/MMCig (kilo kwa mamilioni ya sigara zinazozalishwa) na GJ/MMCig (*gigajoule* kwa mamilioni ya sigara zinazozalishwa)

Matumizi ya Nishati



Katika mwaka 2020, tuliweka mfumo wa nishati ya jua wa 70kW (kilowati) ili kusambaza umeme kwenye jengo la utawala. Katika mwaka 2022, tuliongeza ahadi yetu kuelekea mradi wa nishati safi. Tumefanya uwekezaji wa kuzalisha 300kW ya ziada ambayo ina uwezo wa kusambaza umeme kwenye ofisi nyingine zote. Mifumo yetu ya usimamizi wa nishati inaongozwa na ISO 50001:2018 - Mifumo ya Kudhibiti Nishati. Zinakaguliwa kila mwaka na hakiki huru hufanywa kwa vipindi vya muda. Katika mwaka wa 2022, matumizi ya nishati yalisimama kwa 12.165 GJ/MMCig.

Usimamizi wa Maji na Taka



TCC Plc imefunga mtambo wa kutakasa na kutibu maji unaopunguza upotevu wa maji kwa kuruhusu maji yarudie kutumika upya kwenye mifumo ya umwagiliaji katika maeneo yetu.

Mnamo mwaka 2022, tulifanikiwa kutakasa na kutibu asilimia 36.79 ya maji yetu, jambo ambalo limepelekea kupungua kwa matumizi yetu ya maji kwa asilimia 37.09.

Aidha, pia tumeongeza kiwango cha uzungushaji wa vitu na malighafi kwa asilimia 57.58. Hii imefanyika kwa kuhakikisha vitu vyote kutoka kiwandani visivyo na asili ya tumbaku kutambuliwa kwa ufasaha na kuwekwa kwenye mchakato wa kuzungushwa kwa ajili ya kutumiwa upya.

Viwango vipya hivi vya uzungushaji pia ni matokeo ya kampuni kujenga mfumo wenye kuchagua kutumia vitu na malighafi vyenye uwezo wa kuzungushwa kwa ajili ya kutumiwa upya.

Tathmini ya Kijamii

Kama biashara nyingine yoyote, kuvutia vipaji vinavyofaa husababisha ukuaji wa biashara na uongezaji thamani. Hiki pia ni kipengele muhimu cha mafanikio yetu katika TCC Plc. Tunajitahidi kujenga hali ya umuhimu na ufahamu katika wasaa huu kwa kuchangia kikamilifu majukumu yetu ya kimaadili. Kwa kuwekeza kimbakati kwenye rasilimali watu, tunaathiri moja kwa moja uwezo wetu wa kuimarisha tamaduni na mchango wetu kwa jamii.

Uchunguzi wa Wazabuni

Mchakato wa uchunguzi wa wazabuni wa TCC Plc unasimamiwa na Kitengo cha Usimamizi wa Ununuzi (PMU) na unasimamia kikamilifu jinsi tunavyonunua kupitia mchakato wa kutoa zabuni au kupitia uteuzi wa njia ya ununuzi ya chanzo kimoja. Mchakato na matokeo yanaweza kuchunguzwa katika ngazi ya kundi (JT Group). Shughuli zetu zote za zabuni zinafanywa kwenye jukwaa la kimataifa la kundi letu. Hii inakuza uwajibikaji na uwazi katika kitengo chetu cha manunuzi.

Mipango ya Uwekezaji katika Jamii.

TZS 350.6 milioni katika mwaka 2022

26.05%
Zaidi

Mipango yetu za uwekezaji wa jamii huruhusu wanajamii wote kustawi na kuwa na mchango kwenye jamii. Tumechangia TZS 350.6 milioni katika mwaka 2022; ambayo ni asilimia 26.05 zaidi ya ile iliyochangiwa mwaka 2021. Sehemu ya 45.4% ya fedha za uwekezaji wa jamii zilizielekezwa kwenye Mipango ya Uwezeshaji ikifuatiwa na watu wenye ulemavu ambayo ilikuwa 23.5%.

Afya na Usalama

Tunaamini katika kuweka mazingira ambayo ni salama na yanayofaa kufanya kazi, na kwa sababu hiyo tuliripoti asilimia 0 ya majeruhi mwaka wa 2022. Tunawahimiza viongozi wetu wa idara kuanzisha hatua za usalama na kutoa maoni ili kuboresha mchakato. Sera yetu ya ndani ya afya na usalama kazini inatii ISO 45001:2018 - Afya na Usalama Kazini na inakubali mabadiliko, uwajibikaji na kuripoti. Pia hupitia mizunguko ya uboreshaji ili kukabili hatari zinazojitokeza mara kwa mara.

0%
Majeruhi
iliyoripotiwa

Sera ya Njia Mpya za Kufanya Kazi (NWOW).

Tunayo furaha kutangaza sera yetu mpya ya Njia Mpya za Kufanya Kazi (NWOW), ambayo huwapa wafanyakazi uhuru zaidi wa kufanya kazi kutoka mikoani kwa hadi siku 15 na kutoka nje ya nchi kwa siku 10. Sera ya NWOW pia inatoa usaidizi kwa wafanyakazi ili kuhakikisha wanaweka ofisi za nyumbani zinazo uhiana, na miongozo ya ergonomia. Sera inaakisi mabadiliko ya mahali petu pa kazi na jinsi tunavyofanya kazi pamoja kwa madhumuni ya kuendelea kuimarisha tija yetu. TCC Plc inajivunia kutambuliwa kama Mwajiri Bora wa Tanzania na Afrika kwa mwaka wa tano mfululizo na Taasisi ya Mwajiri Bora na pia Mwajiri Bora wa Mwaka chini ya Utawala na Uongozi kutoka Chama cha Waajiri Tanzania (ATE). Zaidi ya hayo, tumefanikiwa idhini ya uwekezaji katika ngazi ya dhahabu (*Investor in People Gold*) katika jitihada zetu za kuendelea kuwekeza kwa watu wetu ambayo ni tathmini ya jinsi makampuni yanavyofanya kazi vizuri zaidi kwa kutanguliza watu wao na kujali usawa wa maisha ya kazini na binafsi kwa ajili ya kujenga jamii endelevu na yenye uthabiti.



Tathmini ya Utawala

Muundo wetu wa Utawala, Hatari na Uzingatiaji (*GRC*) hutuwezesha kuinua maadili ya kampuni na kufikia ukuaji endelevu wa faida katika muda wa kati hadi mrefu. Tumejitolea kuhakikisha kuwa tunazingatia viwango vya juu zaidi vya maadili ya biashara na tumetunukiwa na Mamlaka ya Mapato Tanzania kama walipakodi wanaokidhi viwango vya juu zaidi vya utiifu katika sekta ya viwanda kwa mwaka 2021/2022.

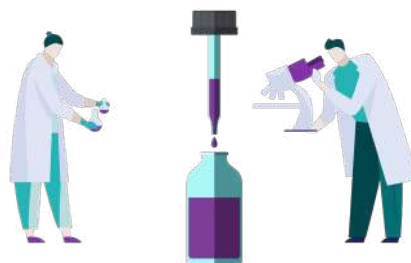
Kanuni za maadili za TCC Plc zinaonyesha viwango vya juu zaidi ambavyo tunatakiwa kuzingatia na huambatana na sera yetu ya ugavi. Sisi ni kampuni isiyostahimili hongo na ufiadini katika shughuli za biashara, na tunaweza kusitisha makubaliano na wazabuni ambao wamehusika katika aina yoyote ya hongo na/ rushwa.

Biashara Haramu ya Tumbaku



Tunafahamu madhara ya biashara haramu ya tumbaku katika sekta ya tumbaku, uchumi na uwezo wa serikali kukusanya kodi. Tunaunga mkono Mkataba wa Mfumo wa Kudhibiti Tumbaku (FCTC) na tunaendelea kushirikiana na Mamlaka ya Dawa na Vifaa vya Tiba Tanzania (TMDA), Mamlaka ya Mapato Tanzania (TRA), Shirika la Viwango Tanzania (TBS), Tume ya ushindani (FCC) na Jeshi la Polisi Tanzania ili kupiga vita biashara haramu ya tumbaku. Tumedhamiria kuchangia kwenye sera za ngazi ya kitaifa na kuendeleza mazingira ya haki na usawa ya udhibiti wa tumbaku ili kupiga vita biashara haramu.

Usimamizi wa Ubora



Udhibiti wetu wa Ubora unahusisha uboreshaji unaoendelea wa kampuni ikijumuisha mifumo ya usimamizi na michakato ya usaidizi. Tabia ya uzalishaji na muundo wa michakato yetu ya uzalishaji huratibiwa kulingana na mahitaji ya ubora, muda na gharama. Tumeanzisha mfumo wa usimamizi wa ubora unaoendelea kuboreshwa kwa mujibu wa viwango vya kimataifa vya ISO 9001, mahitaji ya kisheria na ya udhibiti. Tunajitahidi kuendelea kutoa chapa zenye ubora ambazo huongeza kuridhika kwa wateja wetu kupitia uvumbuzi.

Kusawazisha michakato yetu ya uzalishaji huwezesha kwa kiasi kikubwa kutathmini ubora wa data. Uhakikisho wa ubora unajumuisha hatua zote zinazohakikisha mahitaji ya ubora yameandikwa kwa uwazi. Ufuatiliaji wetu na tathmini ya nyenzo za pembejeo na michakato ya uzalishaji huhakikisha ubora wa juu wa bidhaa na huduma zetu.





Members of the Board

Wajumbe wa Bodi



Paul Makanza
Chairman

- Paul D. Makanza has over 20 years senior level management and leadership experience in the private sector in Tanzania and Sub-Saharan Africa.
- He has extensive leadership, governance and government relations experience. He currently leads several boards. He is the Chairperson of the Tanzania Cigarette Public Limited Company (TCC Plc), the Confederation of Tanzania Industries (CTI) and the Tanzania Start-up Association (TSA). He is also the Vice Chairperson of the Tanzania Private Sector Foundation (TPSF). His sectoral experience includes the tobacco industry (TCC Plc and JTI) and professional services (PwC Tanzania). He has served as Chairperson of the TCC Plc Board since August 3, 2017, and was re-elected in the same position on August 11, 2020.

Paul Makanza
Mwenyekiti

- Paul D. Makanza ana uzoefu wa uongozi wa ngazi ya juu na uongozi wa zaidi ya miaka 20 katika sekta binafsi nchini Tanzania na Kusini mwa Jangwa la Sahara.
- Ana uzoefu mkubwa wa uongozi, utawala na mahusiano ya serikali. Hivi sasa anaongoza bodi kadhaa. Ni Mwenyekiti wa Kampuni ya Sigara Tanzania (TCC Plc), Shirikisho la Wenye Viwanda Tanzania (CTI) na Chama cha makampuni anzilishi Tanzania (TSA). Pia ni Makamu Mwenyekiti wa Taasisi ya Sekta Binafsi Tanzania (TPSF). Uzoefu wake kissekta unajumuisha tasnia ya tumbaku (TCC Plc na JTI) na huduma za kitaalamu (PwC Tanzania). Amehudumu kama Mwenyekiti wa Bodi ya TCC Plc tangu Agosti 3, 2017, na alichaguliwa tena katika nafasi hiyo Agosti 11, 2020.



Takashi Araki
General Manager and CEO

- Mr. Takashi Araki is the current Chief Executive Officer and General Manager of Tanzania Cigarette Public Limited Company (TCC Plc). He was appointed as a Director of the Company with effect from August 28, 2022.
- For more than 25 years, He has held various leadership positions in JT Group with increasing responsibility. Prior to joining TCC Plc, he worked as Corporate Business Development & Corporate Strategy Vice President of the JT Group based in Japan.

Takashi Araki
Meneja Mkuu na Mkurugenzi Mtendaji

- Bw. Takashi Araki ndiye Meneja Mkuu na Mkurugenzi Mtendaji wa Kampuni ya Sigara Tanzania (TCC Plc). Aliteuliwa kuwa Mkurugenzi wa Kampuni kuanzia Agosti 28, 2022.
- Kwa zaidi ya miaka 25, ameshika nyadhifa mbalimbali za uongozi katika JT Group na kuongeza uwajibikaji. Kabla ya kujiunga na TCC Plc, alifanya kazi kama Makamu wa Rais wa Maendeleo ya Biashara na Mkakati wa kampuni ya JT Group iliyopo Japani.

Members of the Board | Wajumbe wa Bodi



Michal Bachan
General Manager and CEO (Retired)

- Michal Bachan has over 20 years international leadership experience across various markets within and outside JTI including Poland, United Kingdom, Tanzania and Switzerland.
- In August 2019, Michal assumed the role of Chief Executive Officer (CEO) and General Manager at TCC Plc, after serving as JTI Regional Marketing and Sales Director for Middle East, Near East Africa Turkey and Global Travel Retail (MENEAT-GTR) for 3 years based in the UK. He brings a wealth of valuable expertise in marketing, sales, planning and development. Other previous roles held within JTI include Commercial Brand Manager at JTI Head Quarters in Switzerland from 2001 to 2004, Marketing Manager in Tanzania from 2004 to 2005 and Director of Sales & Marketing in Tanzania 2005 to 2007, Planning & Development Director 2009 to 2012 and Marketing Director 2012 to 2016 in Poland. Michal retired from the TCC Plc Board on August 27, 2022 after active participation for 3 years.

Michal Bachan
Meneja Mkuu na Mkurugenzi Mtendaji (Aliyestaafu)

- Michal Bachan ana zaidi ya miaka 20 ya uongozi wa kimataifa katika masoko mbalimbali ndani na nje ya JTI ikiwa ni pamoja na Poland, Tanzania na Uswisi.
- Mnamo Agosti 2019, Michal alichukua nafasi ya Mkurugenzi Mtendaji na Meneja Mkuu wa TCC Plc, baada ya kuhudumu kama Mkurugenzi wa Masoko na Mauzo wa JTI kwa Kanda ya Mashariki ya Kati, Mashariki ya Karibu, Afrika, Uturuki na *Global Travel Retail* (MENEAT-GTR) kwa miaka 3 nchini Uingereza. Ana utaalamu katika kuendeleza bidhaa na biashara. Majukumu mengine ya awali aliyoyafanya ndani ya JTI ni pamoja na Meneja wa chapa za biashara katika makao makuu ya JTI, Uswizi, kuanzia 2001 hadi 2004, Meneja Masoko Tanzania kuanzia 2004 hadi 2005 na Mkurugenzi wa Mauzo na Masoko Tanzania 2005 hadi 2007, Mkurugenzi wa Mipango na Maendeleo 2009 hadi 2012 na Mkurugenzi wa Masoko 2012 hadi 2016 nchini Poland. Michal alistaafu kutoka Bodi ya TCC Plc mnamo Agosti 27, 2022 baada ya kushiriki kikamilifu kwa miaka mitatu.



Johnny Ng
Internal Audit Vice-President, JT International SA

- Johnny is the JTI Finance Vice President, Asia Pacific region from 2022.
- Prior to that Johnny served as Internal Audit Vice President of JT International SA from 2019 till his current appointment. He has also served as the CFO and Vice President of JTI Russia (2016 - 2019), JTI Finance Vice President Taiwan (2005-2016) and Finance Director JTI China (2002- 2005).
- Before joining JTI, Johnny held various positions including; Senior Consultant- Deloitte Consulting (2000-2002) based in Hong Kong, Business Analyst with PwC Limited Hong Kong (1998 to 1999) and International Consultant - HSO Business System China Limited based in Hong Kong (1997- 1998). Johnny holds a Masters of Business Administration.

Johnny Ng
Makamu wa Rais ukaguzi wa ndani JT International SA

- Johnny ni Makamu wa Rais wa Fedha wa JTI, kanda ya Asia Pasifiki kuanzia 2022. Kabla ya hapo Johnny alikuwa Makamu wa Rais wa Ukaguzi wa Ndani wa JT International SA kuanzia 2019 hadi uteuzi wake wa sasa. Pia aliwahi kuwa CFO na Makamu wa Rais wa JTI Urusi (2016 - 2019), Makamu wa Rais wa Fedha wa JTI Taiwan (2005-2016) na Mkurugenzi wa Fedha JTI Uchina (2002- 2005).
- Kabla ya kujiunga na JTI, Johnny alishika nyadhifa mbalimbali zikiwemo; Mshauri Mkuu - Deloitte Consulting (2000-2002) Hong Kong, Mchambuzi wa Biashara - PwC Limited Hong Kong (1998 hadi 1999) na Mshauri wa Kimataifa - HSO Business System China Limited iliyoko Hong Kong (1997-1998). Johnny ana Shahada ya Uzamili ya Biashara.

Members of the Board | Wajumbe wa Bodi



Asina Omari

Judge of The High Court of Tanzania

- Hon. Asina A Omari was recently appointed Judge of the High Court of Tanzania. She has more than 15 years' experience in the legal profession. Prior to her appointment as a Judge, she was an Advocate of the High Court of Tanzania and Courts subordinate thereto. She also served as an assistant lecturer at the School of Law, University of Dar es Salaam and as a part time instructor at the Law School of Tanzania, roles she served from 2006, 2008 respectively, till 2022.
- Hon. Asina also held other positions in the public sector including Chairperson of the Legal Aid Committee School of Law, University of Dar es Salaam from 2012 to 2022, Chair of the Finance, Planning and Development Committee, Institute of Judicial Administration Lushoto (2010-2016). Ms. Asina also sat on various Boards within the public and private sector.
- Ms. Asina was appointed to the TCC Plc Board of Directors on August 19, 2021, as additional representative of the minority shareholders and resigned on October 24, 2022 following her appointment as a judge.

Asina Omari

Jaji wa Mahakama Kuu ya Tanzania

- Mhe. Asina A Omari hivi karibuni aliteuliwa kuwa Jaji wa Mahakama Kuu ya Tanzania. Ana uzoefu wa zaidi ya miaka 15 katika taaluma ya sheria. Kabla ya kuteuliwa kuwa Jaji, alikuwa Wakili wa Mahakama Kuu ya Tanzania na Mahakama zilizo chini yake. Pia aliwahi kuwa mhadhiri msaidizi katika Shule ya Sheria, Chuo Kikuu cha Dar es Salaam na kama mwalimu wa muda katika Shule ya Sheria ya Tanzania, majukumu aliyotumikia kuanzia 2006, 2008 mtawalia, hadi 2022.
- Mhe. Asina pia alishika nyadhifa nyingine katika sekta ya umma ikiwa ni pamoja na Mwenyekiti wa Kamati ya Msaada wa Kisheria Shule ya Sheria, Chuo Kikuu cha Dar es Salaam kuanzia 2012 hadi 2022, Mwenyekiti wa Kamati ya Fedha, Mipango na Maendeleo. Taasisi ya Utawala wa Mahakama Lushoto (2010-2016). Bi Asina pia alikaa kwenye Bodi mbalimbali ndani ya sekta ya umma na binafsi.
- Bi Asina aliteuliwa katika Bodi ya Wakurugenzi ya TCC Plc mnamo Agosti 19, 2021, kama mwakilishi wa ziada wa Serikali na alijiuzulu Oktoba 24, 2022 kufuatia kuteuliwa kwake kuwa jaji.



Onesmo Makombe

Vice - Chairman of the National Anti - Money Laundering (AML) Committee

- Mr. Onesmo Makombe is the Vice- Chairman of the national Anti - Money Laundering (AML) Committee, a role served from 2015.
- Prior to the current positions, Mr. Onesmo has held various positions in the public service including; The Commissioner and Chief Executive Officer of the Financial Intelligence Unit (FIU) from 2015 to 2021, The Chair of the Eastern and Southern Anti – Money Laundering Group (ESAAMLG) Task Force (2017- 2018), Acting Commissioner FIU (2013), Assistant Commissioner FIU (2011), Financial and Intelligence Analyst under Ministry of Finance (2007-2011), Bank Examiner with the Bank of Tanzania (BoT) (1997-2007).
- Mr Makombe joined the TCC Plc Board on April 23, 2021 representing minority shareholders.

Onesmo Makombe

Makamu Mwenyekiti wa Kamati ya Kitaifa ya Kupambana na Utakatishaji Fedha Haramu (AML)

- Bw. Onesmo Makombe ni Makamu Mwenyekiti wa Kamati ya Kitaifa ya Kupambana na Utakatishaji Fedha Haramu (AML), jukumu alilotumikia kuanzia 2015.
- Kabla ya nafasi za sasa, Bw. Onesmo amewahi kushika nyadhifa mbalimbali katika utumishi wa umma zikiwemo; Kamishna na Afisa Mtendaji Mkuu wa Kitengo cha Ujasusi wa Fedha (FIU) kuanzia 2015 hadi 2021, Mwenyekiti wa Kikosi Kazi cha Kikosi Kazi cha Kuzuia Utakatishaji Fedha Mashariki na Kusini (ESAAMLG) (2017- 2018), Kaimu Kamishna FIU (2013), Kamishna FIU (2011), Mchambuzi wa Fedha na Ujasusi chini ya Wizara ya Fedha (2007-211), Mkaguzi wa Benki katika Benki Kuu ya Tanzania (BoT) (1997-2007).
- Bw Makombe alijiunga na Bodi ya TCC Plc Aprili 23 2021, akiwakilisha Serikali.

Members of the Board | Wajumbe wa Bodi

Bertrand Tamisier

Chief Financial Officer and Vice President of JTI Middle East, Near East, Africa, Turkey, and Worldwide Duty Free (MENEAT/WWDF)

- Bertrand Tamisier is the Chief Financial Officer and Vice President for MENEAT & GTR Region since January 2018. He has extensive experience and expertise in finance field from his various roles within JTI for over the past 25 years.
- Bertrand has worked in various senior positions in JTI. His previous roles within JTI include Global Financial Operations VP in 2017, Strategy and Insights Lead VP from 2016 to 2017, Chief Financial Officer and VP in JTI SA and Central Europe Region from 2008 to 2011 and from 2011 to 2016 respectively, Adriatica Chief Financial Officer from 2007 to 2008, Senta Integration Director from 2006 to 2007, Research and Development / Scientific and Regulatory Affairs Finance Director from 2005 to 2006, Chief Financial Officer and Finance Director in Iran from 2002 to 2005, WWDF & MENA Finance Controller from 2000 to 2002, Baltics, Belarus and Kaliningrad CFO from 1998 to 1999, CIS Finance Manager Operations and Exports from 1997 to 1998.
- Bertrand was appointed to the TCC Plc Board of Directors on January 01, 2018 and re-elected on January 01, 2021.



Bertrand Tamisier

Afisa Mkuu wa Fedha na Makamu wa Rais wa JTI Mashariki ya Kati, Mashariki ya Karibu, Afrika, Uturuki, na Kitengo cha Bidhaa zisizolipiwa ushuru cha JTI

- Ana uzoefu na utaalamu mkubwa kwenye maswala ya fedha kutokana na nafasi mbali mbali alizoshika katika miaka 25 aliyotumikia JTI.
- Bertrand ameshika nyadhifa mbali mbali ndani ya JTI ikiwa ni pamoja na kuwa Makamu Kiongozi wa shughuli za kifedha ngazi ya kimataifa mnamo 2017, Makamu Kiongozi wa Mikakati na Maarifa kutoka 2016 hadi 2017, Afisa Mkuu wa Fedha na Makamu Kiongozi wa JTI SA na Eneo la Ulaya ya Kati kutoka 2008 hadi 2011 na kutoka 2011 hadi 2016. Aidha, amekuwa Afisa Mkuu wa Fedha wa Adriatica kutoka 2007 hadi 2008, Mkurugenzi wa Muingiliano wa Senta kutoka 2006 hadi 2007, Mkurugenzi wa Fedha wa Utafiti na Maendeleo / Sayansi na Masuala ya Udhhibiti kutoka 2005 hadi 2006, Afisa Mkuu wa Fedha na Mkurugenzi wa Fedha nchini Iran kutoka 2002 hadi 2005, Mdhhibiti wa Fedha wa WWDF & MENA kutoka 2000 hadi 2002, Baltiki, Belarusi na Afisa Mkuu wa Fedha wa Kaliningrad kutoka 1998 hadi 1999, Meneja wa Uendeshaji wa Fedha wa CIS na Mauzo ya nje kutoka 1997 hadi 1998.
- Bertrand aliteuliwa kujiunga na Bodi ya Wakurugenzi ya TCC Plc tangu Januari 01, 2018 na akateuliwa tena Januari 01 2021.



Management | Usimamizi

Samwel Mandara
Manufacturing Director



Angela Mangecha
People & Culture
Director



Patricia Mhondo
Corporate Affairs
and Communication
Director



Godson Killiza
Legal Affairs
Director



Takashi Araki
General Manager and CEO



Charles Mauya
Sales Director



Thomas Hadorn
Finance Director



Yassin Hussein
Marketing Director



Chairman's Statement

Dear Esteemed Stakeholders,

On behalf of the TCC Plc Board of Directors, I am pleased to report that the Company had a very successful fiscal year ending December 31, 2022.

The Company delivered strong top and bottom-line growth, robust operating cashflows and shareholder value for the third consecutive year.

We owe this success to our diligent management team and employees, consistent strategy execution, and improvements in the business environment over the last two years.

Financial results for the year ended December 31, 2022

Profit before tax (PBT) for the year increased by 23.7% to TShs. 106.8 billion compared to TShs. 86.3 billion in 2021. However, this was tempered by a 40.2% income tax increase driven by prior years income tax adjustments. Profit after tax (PAT) increased by 16.2% in 2022 to TShs. 69.2 billion compared to TShs. 59.6 billion in 2021. Robust volume growth, a stable product mix, operational and cost efficiency drove this increase.

Total sales volume, domestic and export, increased by 17.6%, confirming the effectiveness of our route-to-market strategy. The product mix remained unchanged, indicating a more stable product portfolio. The cost of goods sold (COGS) rose by 6.1% due to increased production to meet customer demand. Operating expenses (OPEX) decreased by 1.5% year-on-year, reflecting our focus on operational efficiency, cost management, and return on marketing investment (ROMI).

Net cash flow from operations increased by 9% to TShs. 64.3 billion in 2022 compared to TShs. 58.8 billion in 2021, reflecting the Company's ability to convert profits into cash to fund capital expenditure, dividend payments to shareholders and inter-company loan repayment.

Benefits to our stakeholders

These results have benefitted our key stakeholders - consumers, shareholders, employees, and society.

Shareholders

Shareholder returns remain a priority for the Board. Since it began trading on the Dar es Salaam Stock Exchange (DSE) in 2000, the Company has maintained or increased its dividend payment to shareholders.

The Board of Directors has proposed a final gross dividend payment of TShs. 370 per share for 2022 (2021: TShs. 300 per share), which will be paid on or around May 2023, if approved by shareholders at the Annual General Meeting (AGM) in April 2023.

Together with the interim gross dividend of TShs. 300 per share paid out in November 2022, the total gross dividend to be paid out to shareholders for the year ended December 31, 2022, is TShs. 670 (2021: TShs. 800 per share including TShs. 250 special dividend).

People

Our people are critical to the success of our business. We continue cultivating a culture where all employees have equal access to opportunities. We encourage everyone in our organization to deliver exceptional results and reach their full potential.

Improving diversity, equity, and inclusion continues to be a key priority for us. We intend to have a 30% female workforce by 2030. We are making significant progress on this front. Currently, 20% of our workforce is female, up from 15% in 2013.



Together with the interim gross dividend of TShs. 300 per share paid out in November 2022, the total gross dividend to be paid out to shareholders for the year ended December 31, 2022, is TShs. 670 (2021: TShs. 800 per share including TShs. 250 special dividend).

In addition, we launched our New Ways of Working (NOW) in 2022, which permits employees to work 50% of the time remotely and in the office to promote a healthier work-life balance. Furthermore, we continued to serve as a source of talent for JTI markets worldwide.

Society

Our contribution to society includes various taxes to the Treasury for social services and corporate social responsibility (CSR). In 2022 we contributed TShs. 280.6 billion in VAT, Excise, and Corporate Tax, up by 12.5% on the prior year. In addition, we invested over TShs. 350 million in various CSR programs aimed at uplifting and empowering societies.

Environment, Social and Governance (ESG)

Environment

Climate change and other environmental concerns are becoming more prevalent in society. As a responsible corporate citizen, we are reducing our greenhouse gas (GHG) emissions to support global climate change efforts to achieve net zero carbon emissions from our operations. We committed to carbon-neutral operations by 2030 and have set more ambitious reduction targets based on science.

We reduced CO2 emissions by 211 tons and water consumption by 37% in 2022. Our recycling rate for non-tobacco materials increased by 58%, and our use of solar-powered renewable energy quadrupled from 70kW in 2020 to 300kW in 2022.

Social (CSR)

Our community investment programs assist local communities in becoming more inclusive, sustainable, and resilient.

We provided 234 people with disabilities (PWD) with prosthetic legs, tricycles, crutches, and white canes to improve their mobility and socioeconomic opportunities.

We awarded twenty-five young adults scholarships to study visual and performing arts at TaSuBa (Bagamoyo College of Arts). Together with the Japanese Embassy in Tanzania, we awarded one student a master's degree scholarship to Akida University in Japan.

We assisted over 450 young adults, and women in expanding their small businesses through TCC Fanikisha Biashara Program. TCC Fanikisha Biashara is a collaborative program between TCC Plc, the Tanzania Entrepreneurship and Competitiveness Centre (TECC), and local authorities.

Governance

In October, we announced the appointment of Takashi Araki as Chief Executive Officer (CEO). Mr. Araki has been with the Japan Tobacco Group (JTG) for 28 years. He has held several leadership roles at JTG in Tokyo and JTI in Europe. He most recently served as Vice President of Corporate Business Development and Corporate Strategy for JTG in Japan before joining TCC Plc. The Board is pleased to have Mr. Araki join TCC Plc.

Mr. Araki succeeded Mr. Michal Bachan, who relocated to the JTI Regional Headquarters in Geneva, Switzerland, at the end of August 2022 to assume a regional position. Mr. Bachan's leadership has been crucial to TCC Plc's remarkable success over the last two years. The Board recognizes and appreciates his substantial contribution.

Ms. Asina Omari, a Treasury Registrar (TR) appointee to the Board of TCC Plc, resigned on October 24, 2022, following her appointment as a high court judge on October 4, 2022. The Board appreciates Ms. Omari's significant contribution to the Board during her one-year tenure.

Prospects for 2023

We are optimistic about 2023. We are well-positioned to take advantage of emerging opportunities and address emerging challenges.

The improvements in the business environment over the past two years, 2021 and 2022, are extremely encouraging. We are confident that the pace and scope of reforms will accelerate in 2023.

In addition, macroeconomic stability should boost mid-term economic growth, which is good for business. The World Bank's Tanzania Economic Update 2022 forecasts a GDP growth of 5.3% in 2023, up from 4.6% in 2022, a single digit inflation rate, and a relatively stable Shilling - US Dollar exchange rate. However, the availability of US Dollars could be an issue. A lack of US Dollar liquidity in the domestic market could affect the price of imported raw materials and production costs.

Furthermore, our transformation strategy continues to deliver results and is proceeding as planned. We will continue to implement our strategy with a laser-like focus. Efficient operations, brand building, consumer uptrading, and a competitive route-to-market underpin this strategy, supported by an agile and competitive team, digital innovation, and sustainability.

Note of appreciation

On behalf of the Board, I would like to thank our key stakeholders - consumers, shareholders, employees, and the public - for their continued support of our business. As always, we value the assistance of our parent company, JTI. We applaud the Management and staff of TCC Plc, who once again delivered an outstanding performance in 2022. We would also like to thank the government and our business organizations for their support. Finally, I thank my fellow Board members for their invaluable advice.

With kind regards,

Paul D. Makanza

Chairman of the Board

Waraka wa Mwenyekiti

Ndugu Wanahisa,

Kwa heshima na taadhima, na kwa niaba ya Bodi ya Wakurugenzi wa Kampuni ya Sigara Tanzania (TCC Plc), napenda kuwaarifu kuwa kampuni yetu imemaliza vizuri sana mwaka wetu wa fedha uliohitimishwa Disemba 31, 2022.

Kampuni yetu imeonyesha ukuaji pande zote, bila kukauka kwa fedha za uendeshaji, na huku wanahisa wakiona hisa zao zikiongezeka thamani kwa miaka mitatu mfululizo sasa.

Ni dhahiri mafanikio haya ni kutokana na juhudi za menejimenti, wafanyakazi, utekelezaji mzuri wa mpango kazi na mikakati, pamoja na kuboreshwa kwa mazingira ya kibiashara katika miaka miwili iliyopita.

Mrejesho wa Kifedha kwa Mwaka uliokwisha Disemba 31, 2022

Faida kabla ya makato ya kodi (Profit Before Tax -PBT) imeongezeka kwa asilimia 23.7 hadi Tsh. Bilioni 106.8 ikilinganishwa na Tsh. Bilioni 86.3 ya mwaka 2021. Hata hivyo hii iliathiriwa na kuongezeka kwa Kodi ya Mapato kwa asilimia 40.2 iliyotokana na mabadiliko ya kodi husika katika mwaka uliopita. Faida baada ya makato ya kodi iliongezeka kwa asilimia 16.2 mwaka 2022, kufikia kiasi cha Tsh Bilioni 69.2 ikilinganishwa na Tsh Bilioni 59.6 ya mwaka 2021. Kuongezeka kwa biashara, mseto mzuri wa bidhaa, na ufanisi wa matumizi ndio umepelekea mafanikio haya.

Jumla ya mauzo ya ndani na nje yameongezeka kwa asilimia 17.6, jambo ambalo limethibitisha ufanisi wa ujio wetu sokoni. Mchanganyiko wa bidhaa zetu haukubadilika, jambo ambalo linaonyesha kutokuyumba kwa mseto wetu wa bidhaa. Gharama ya bidhaa zilizouzwa ilipanda kwa kiasi cha asilimia 6.1 kutokana na uzalishaji kuongezeka na kukidhi mahitaji ya wateja wetu. Gharama za uendeshaji (Operating expenses -OPEX) zilipungua kwa kiasi cha asilimia 1.5 mwaka hadi mwaka, jambo ambalo lina akisi ufanisi, kubana matumizi na faida yetu kuwekeza kwenye idara ya masoko (Return on Marketing - ROMI).

Mzunguko wa fedha za kiutendaji uliongezeka kwa asilimia 9 kufikia Tsh Bilioni 64.3 mwaka 2022, tofauti na Tsh Bilioni 58.8 mwaka 2021, jambo ambalo lina akisi uwezo wa kampuni kubadili faida kuwa fedha taslim kwa ajili ya gharama ya mtaji, gawio za wanahisa na mrejesho wa mikopo baina ya kampuni.

Faida kwa Wadau

Matokeo haya yameonyesha kuwanufaisha wadau wetu wakuu - wateja, wanahisa, wafanyakazi na jamii kwa ujumla.

Wanahisa

Faida kwa wanahisa inabakia kipaumbele cha Bodi ya Wakurugenzi. Tangu kuanza kwake biashara kwenye soko la hisa la Dar es Salaam mwaka 2000, kampuni limeendelea kuongeza gawio la wanahisa kama si kulidumisha.

Bodi ya Wakurugenzi imependekeza gawio la Tsh 370 kwa kila hisa kwa mwaka wa 2022 tofauti na Tsh 300 kwa hisa iliyotolewa mwaka 2021. Gawio hilo linatarajiwa kulipwa mnamo mwezi Mei mwaka 2023 endapo malipo hayo yatapata baraka za wanahisa kwenye Mkutano Mkuu wa Mwaka, Aprili 2023.

Pamoja na gawio la mhula la Tsh 300 kwa hisa lililolipwa Novemba 2022, jumla ya kiasi kitakacholipwa kwa wanahisa hadi kufika mwisho wa mwaka 2022 ni Tsh 670 kwa kila hisa, tofauti na Tsh 800 kwa hisa iliyolipwa mwaka 2021.

Watu

Watu wetu wanatazama mafanikio yetu kwa umakini wa hali ya juu. Tunaendelea kudumisha utamaduni ambamo wafanyakazi wote wanapata fursa sawa. Tunahimiza kila mmoja wetu katika kampuni kufanya kazi kwa bidii ili kuleta matokeo bora kabisa, ikiwa ni pamoja na wao wenyewe kufikia ubora wao.

Kuboresha usawa na mazingira jumuishi kunaendelea kuwa kipaumbele kikubwa kwetu. Tunatarajia kuwa na asilimia 30 ya wafanyakazi wa kike hadi kufikia mwaka 2030. Tunaendelea kupiga hatua kubwa sana katika hili, na leo hii tuna asilimia 20 ya wafanyakazi wa kike ambayo tangiapo ni ongezeko kubwa kutoka asilimia 15 mwaka 2013.



Pamoja na gawio la mhula la Tsh 300 kwa hisa lililolipwa Novemba 2022, jumla ya kiasi kitakacholipwa kwa wanahisa hadi kufika mwisho wa mwaka 2022 ni Tsh 670 kwa kila hisa, tofauti na Tsh 800 kwa hisa iliyolipwa mwaka 2021

Mbali na hivyo, tumeanzisha njia mpya za kiutendaji na kufanya kazi (New Ways of Working -NWOW) zinazoruhusu mfanyakazi kutumia asilimia 50 ya muda wake wa kazi nje ya maeneo ya kazi hivyo kuchochea uwiano mzuri zaidi wa kazi na maisha binafsi. Aidha, tumeendelea pia kuwa chanzo cha vipaji kwa ajili ya masoko ya JTI ulimwenguni kote.

Jamii

Mchango wetu kwa jamii ni pamoja na kodi mbalimbali zierendazo hazina kwa ajili ya huduma za kijamii. Mwaka 2022 tulichangia kiasi cha Tsh bilioni 280.6 katika kodi ya VAT, Ushuru na Kodi ya Kishirika ambayo ni ongezeko la asilimia 12.5 zaidi ya kiasi tulichotoa katika mwaka uliotangulia. Pia tumewekeza kiasi cha Tsh milioni 350 katika programu mbalimbali ikiwa ni sehemu ya wajibu wetu kama kampuni kuwezesha na kunyanyua jamii.

Mazingira, Jamii na Utawala (ESG)

Mazingira

Mabadiliko ya hali ya hewa na mambo mengine yahusianayo na mazingira ni yenye kufikirisha sana na yanendelea kuwa na uzito wa kipekee katika jamii. Kama shirika mwananchi mwenye kujitambua, tunapunguza hewa ya ukaa ili kuendana na juhudi za dunia kuondosha kabisa uzalishaji wa hewa ya ukaa katika shughuli zetu. Tumeweka nia ya kufikia malengo hayo ifikapo mwaka 2030 na tuna malengo makubwa zaidi tunayokusudia katika muktadha huo kwa kutumia sayansi na teknolojia.

Tumepunguza uzalishaji wa hewa ya ukaa kwa tani 211 na maji kwa asilimia 37 mwaka 2022. Katika hilo pia tunatumia upya malighafi isiyokuwa tumbaku kwa asilimia 58 na kuongeza matumizi ya nishati mbadala mara nne zaidi kutoka kW 70 mwaka 2020 kufikia kW 300 mwaka 2022.

Jamii (CSR)

Programu zetu za kuwekeza kwenye jamii husaidia jamii kuwa jumuishi, endelevu na imara zaidi.

Tuliwapa watu 234 wenye ulemavu wa viungo; mguu bandia, baiskeli ya miguu mitatu, magongo, fimbo nyeupe na kuwafungulia fursa za kijamii na kiuchumi.

Tuliwatuza vijana ishirini na tano udhamini wa kusoma sanaa mbalimbali kwenye Chuo cha Sanaa cha Bagamoyo (Bagamoyo College of Arts -TaSuBa). Tukishirikiana na Ubalozi wa Japani nchini Tanzania, tuliweza kudhamini mwanafunzi mmoja kusoma Shahada ya Uzamili kwenye chuo kikuu cha Akida kilichopo nchini Japani.

Tumewezesha zaidi ya wanawake 450 wa makamu kukuza biashara zao kupitia programu iitwayo TCC Fanikisha Biashara. TCC Fanikisha Biashara ni juhudi ya ushirikiano baina ya TCC Plc, kituo cha ushindani wa kijasiriamali (Tanzania Entrepreneurship and Competitiveness Centre -TECC) pamoja na mamlaka za kiserikali.

Utawala

Mwezi Oktoba tulitangaza kuteuliwa kwa ndugu Takashi Araki kama Mkurugenzi Mkuu. Bwana Araki amekuwa na Japan Tobacco Group (JTG) kwa miaka 28. Ameshika nafasi kadhaa za uongozi katika JTG mjini Tokyo na JTI kwenye bara la Ulaya. Hivi karibuni alitumikia kama makamu wa raisi wa idara ya kuendeleza biashara pamoja na mikakati ya kibiashara ngazi ya ushirika katika kampuni ya JTI Japan kabla ya kujiunga na TCC

Plc nchini Tanzania. Bodi ya Wakurugenzi imefarijika sana kwa bwana Araki kujiunga na kampuni ya sigara Tanzania, TCC Plc.

Bwana Araki alikuja baada ya bwana Michal Bachan, ambaye alihamia makao makuu makuu ya JTI yaliyoko Geneva, nchini Uswizi mwishoni mwa mwaka 2022. Uongozi wa bwana Bachan ulikuwa na umuhimu mkubwa sana kwa maendeleo ya TCC Plc, na Bodi ya Wakurugenzi haina budi kushukuru mchango wake mkubwa katika kipindi cha miaka miwili ambamo amekuwa akifanya kazi TCC Plc.

Bi Asina Omari, msajili mteule wa hazina (TR), alijiuzulu Oktoba 24, 2022 baada ya kuteuliwa kuwa jaji wa Mahakama Kuu mnamo Oktoba 4, 2022. Bodi inamshukuru Bi. Omari kwa mchango wake mkubwa katika kipindi chake cha mwaka mmoja alichokuwa nasi.

Matarajio kwa mwaka 2023

Tuna matarajio makubwa kwa mwaka 2023. Tuko kwenye nafasi nzuri kuweza kutumia fursa zinazojitokeza pamoja na kukabiliana na changamoto zinazobuka.

Maboresho ya mazingira ya biashara katika kipindi cha mwaka 2021 na 2022 yanatia hamasa mno. Tunaamini kasi na ukubwa wa mabadiliko utaongezeka katika mwaka 2023.

Aidha, afya ya kiuchumi ngazi za juu inasaidia ukuaji wa uchumi wa kati, jambo ambalo ni zuri kwa biashara. Benki ya dunia inakadiria pato la taifa la Tanzania kuongezeka kwa asilimia 4.6 mwaka 2023 huku mfumuko wa bei ukibaki kwenye tarakimu moja, na shilingi ikiendelea kutoyumba dhidi ya dola ya kimarekani. Hata hivyo upatikanaji wa dola umeonyesha kuweza kuwa tatizo. Kukosekana kwa dola kwenye mzunguko wa soko la ndani kunaweza kusababisha kupanda kwa bei ya uzalishaji na malighafi kununuliwa kwa bei kubwa zinapoagizwa kutoka nje.

Pamoja na hivyo, mkakati wetu wa mabadiliko umeendelea kuleta matokeo chanya kama ilivyopangwa. Tutaendelea kutekeleza mkakati huu kwa mazingatio ya hali ya juu. Ufanisi katika utendaji, kujenga chapa, kuongeza thamani kwa walaji na ujio madhubuti kwenye soko ndio uti wa mgongo wa mkakati wetu, ukibebwa na timu shindani, ubunifu wa kidijitali na uendelevu.

Dokezo la shukrani

Kwa niaba ya bodi, napenda kuchukua nafasi hii kuwashukuru wadau wetu wakuu – wateja wetu, wanahisa, wafanyakazi na jamii kwa ujumla kwa kutuunga mkono kwenye biashara yetu. Kama ilivyo ada, tunashukuru kampuni yetu mama ya JTI kwa msaada wake. Tunapongeza menejimenti na wafanyakazi wa TCC Plc, ambao kwa mara nyingine tena wameleta matokeo chanya kupita maelezo mwaka 2022. Tungependa kuipongeza serikali ya Tanzania pamoja na mashirika yetu ya kibiashara kwa kuwa nasi bega kwa bega. Na mwisho kabisa, na pengine la muhimu zaidi, ningependa kuwapongeza wanabodi wenzangu kwa ushauri wao wenye thamani isiyopimika.

Ahsante,

Paul D. Mkanza

Mwenyekiti wa Bodi

Message from CEO

Dear Shareholders and Stakeholders,

Reflecting on my first year as CEO of TCC Plc, I feel privileged to lead a company that has accomplished so much. I am thrilled to join a strong, resilient team that successfully delivered another set of strong results in 2022.

Performance of the business in 2022 and outlook

In 2022, we continued to deliver strong operational results, establishing a solid foundation for delivering volume growth while maintaining a strong number-one position in market share and achieving double-digit profit growth.

We concluded 2022 with strong domestic sales volume, achieving another record-breaking sales volume of 5.7 billion units, which was 10% higher than in 2021. Our highest-ever manufactured volume of 9 billion sticks (2021: 8.6bn) increased by 7%, driven by an excellent export performance (18%), particularly in the Democratic Republic of the Congo (DRC). Value-added tax (VAT) and excise tax contributions increased 9% to TZS 243 billion in 2022, compared to TZS 221 billion in 2021, primarily due to increased sales volume. With the strong sales momentum achieved in 2022, I am confident that our financial health will remain sound and that we will meet our business objectives for 2023 by continuing to increase sales and profits.

Several factors have contributed to this impressive performance, including our route to consumer/market strategy, our portfolio of high-quality products, and our strong partnership with our stakeholders, including our loyal wholesale partners. Our factory team delivered strong production volume, and our sales team's commitment to delivering to our customers and the one-team spirit of our people across the organization enabled a shared vision and profitability growth.

Our employees are our greatest asset

Our employees will continue to remain our most important asset. They are the reason we are celebrating our strong business performance. As our business evolves, so does our employee value proposition. Today, we attract a broader and more diverse range of individuals and skill sets by identifying the best internal and external candidates to achieve the company's goals while promoting TCC Plc's values. TCC Plc received prestigious awards in 2022, including the Top Employer Award in Tanzania and Africa for the fifth consecutive year from the Top Employer Institute and the Employer of the Year award for Governance & Leadership from the Association of Tanzania Employers (ATE). These awards reaffirm that TCC Plc is an employer of choice for Tanzanians and that investing in our people will ensure the company's long-term success.

We revised our Collective Bargaining Agreement (CBA), which, among other things, resulted in a revision of our New Ways of Working (NWOW) policy, which



We concluded 2022 with strong domestic sales volume, achieving another record-breaking sales volume of 5.7 billion units, which was 10% higher than in 2021. Our highest-ever manufactured volume of 9 billion sticks (2021: 8.6bn) increased by 7%, driven by an excellent export performance (18%), particularly in the Democratic Republic of the Congo (DRC).

provides employees with greater work flexibility. The NWOW policy reflects changing expectations, the evolution of our workplace, and how we continue improving our efficiency and productivity through collaboration.

Promoting diversity, equity, and inclusion is important to our people strategy. We intend to make TCC Plc a more conducive and secure workplace for female and male employees and employees with disabilities, where everyone is empowered to feel engaged, motivated, and respected. In 2023, we will continue integrating diversity, equity, and inclusion into TCC Plc's corporate culture and DNA.

The operating environment

We appreciate the Government's ongoing efforts to improve the investment climate in the country. We are pleased that peace and stability, a prerequisite for economic growth, continue to be maintained, ensuring a sustainable operating environment. Despite ongoing global challenges, TCC Plc will continue to take appropriate steps and actions in accordance with our business principles and market dynamics.

Existing investment-friendly policies and incentives are crucial to fostering business expansion in the country. The 75% Domestic Tobacco Content (DTC) incentives for using at least 75% locally sourced tobacco are critical to the growth of our business and the entire tobacco supply chain for domestic cigarette manufacturers.

The high cost of Electronic Tax Stamps (ETS) remains a concern. TCC Plc will continue working with the Government to seek a more cost-effective technology. We are grateful to the Government for maintaining excise tax stability for cigarettes in 2022, with no increase in excise tax. This stability is essential for lowering the cost of doing business, resulting in better market performance for our businesses and an increase in government tax revenue. We believe another zero-excise tax in 2023 will allow TCC Plc to increase its sales volume and generate more government tax revenue.

Investing in the growth of our heritage and global brand portfolio

Consistent investment in our global and local heritage brands has improved performance, reaffirming our strategic direction for 2023. Winston, the largest brand in the global portfolio of our parent company (JTI), maintained its volume-based number-one position in Tanzania in 2022 and grew by 18% compared to the previous year. Compared to last year, Embassy, aided by the

exclusive, innovative product extension Embassy Double Click, increased its volume by 15%, while Camel increased its volume by 6%. The volume of our other heritage brand, Crescent & Star, increased by 19% compared to the previous year. Investing in our portfolio continues to yield the anticipated returns; it is important to note that all our marketing initiatives have been and will continue to be conducted strictly in accordance with the current tobacco laws and regulations.

Sustainability at TCC Plc

Sustainability is a key priority for TCC Plc. As a leader, I am committed to ensuring that TCC Plc adheres to business ethics, integrity, and zero tolerance for bribery and corruption. I am obligated to create long-term value for our consumers, employees, shareholders, and society and support initiatives that protect the environment, ensure we operate responsibly, respect human rights, and practice good governance.

As a part of our strategy to ensure sustainable business operations, TCC Plc has taken several steps. Numerous environmental projects, such as solar energy, water, and waste management, have received substantial funding. TCC Plc desires to continue contributing to Tanzania's sustainable growth in the foreseeable future through our business and community activities.

Conclusion

TCC Plc will continue demonstrating to our consumers, employees, shareholders, and broader society that they can rely on TCC Plc to be a dependable socioeconomic partner. I am extremely grateful to the Government and TCC Plc's key stakeholders for their unwavering support and dedication. Thank you to our loyal customers and consumers, valued employees, management team, and Board of Directors for their ongoing contributions and support to our business.

With kind regards,

荒木隆史

Takashi Araki

Chief Executive Officer

Waraka wa Mkurugenzi Mkuu

Wapendwa Wadau na Wanahisa,

Nikirejea mwaka wangu wa kwanza kama Mkurugenzi Mkuu wa Kampuni ya Sigara Tanzania (TCC Plc), najisikia faraja ya hali ya juu kupata fursa ya kuongoza kampuni iliyotanguliwa na wasifu wa kipekee ulioambatana na mafanikio makubwa kiasi hiki. Siwezi kuelezea ni jinsi gani ilivyokuwa ni heshima na furaha kwa upande wangu kuwa sehemu ya timu imara na madhubuti iliyofanikiwa kuleta matokeo chanya kwa mara nyingine tena katika mwaka wa 2022.

Utendaji na Muonekano wa Biashara Yetu kwa Mwaka 2022

Mwaka 2022 tuliendelea matokeo chanya kiutendaji, jambo ambalo limeendelea kuimarisha msingi wetu kwa ajili ya kukuza biashara, huku tukiendelea kuwa kinara katika soko kwa kudumisha ukuaji kwa kiwango kikubwa.

Tulihitimisha mwaka 2022 tukiwa na mauzo ya ndani mazuri sana, tukivunja rekodi tena kwa kufikia mauzo ya sigara bilioni 5.7 ambayo ni asilimia 10 juu ya mwaka uliotangulia wa 2021. Kiwango cha juu kabisa kuwahi kuzalishwa cha sigara bilioni 9 (2021: Bn 8.6) kiliongezeka kwa asilimia 7, jambo ambalo lilitokana na mauzo mazuri ya nje (asilimia 18), hususan kwenda Jamhuri ya Kidemokrasia ya Kongo. Mchango wetu wa kodi na ushuru uliongezeka kwa asilimia 9 kufikia shilingi bilioni 243 mwaka 2022, ukilinganisha na bilioni 221 ya mwaka 2021. Hii ilitokana hasa na kuongezeka kwa mauzo. Kwa kutazama mafanikio yetu mwaka 2022, sina budi kusema sina shaka utendaji wetu mwaka 2023 utakuwa ni wenye matokeo mazuri upande wa mauzo na faida.

Yapo baadhi ya mambo ambayo naweza kusema yamechangia kwa kiasi kikubwa mafanikio yetu haya. Ni pamoja na mikakati yetu ya namna tunavyoliendelea soko, ubora wa bidhaa zetu, uimara wa mahusiano yetu na wadau pamoja na washirika wetu mahususi wa maduka ya jumla. Aidha, kiwanda chetu kilifanikiwa kuzalisha vilivyo, timu yetu bobezi ya mauzo haikutuanguka, huku ikidhihirisha ilivyodhamiria kuwafikishia wateja wetu kile wapendacho, na umoja wa wafanyakazi wetu wote ndani ya kampuni ukiwezesha kuwa na dira na mtazamo moja. Si vinginevyo, bali haya ni katika mambo yaliyotuletea ukuaji huu wenye tija ya kipekee.

Wafanyakazi wetu ndio mtaji wetu wa thamani zaidi.

Watu wetu, wafanyakazi wa kampuni hii, wataendelea kuwa mtaji na kitovi cha thamani yetu. Wao hasa ndio sababu ya sisi kuwepo hapa leo kusherehekea mafanikio haya. Na kadiri bishara yetu itakavyo zidi kukua, ndivyo tutakavyoweza kuongeza thamani kwa wafanyakazi wetu. Vitu hivi viwili vinakwenda sambamba. Hivi leo, shirika letu linavutia wafanyakazi wengi wa aina tofauti wenye vigezo mbali mbali kwa kuchagua watu bora wa ndani na nje wenye



Tulihitimisha mwaka wa 2022 tukiwa na mauzo ya ndani mazuri sana, tukivunja rekodi tena kwa kufikia mauzo ya sigara bilioni 5.7 ambayo ni asilimia 10 juu ya mwaka uliotangulia wa 2021. Kiwango cha juu kabisa kuwahi kuzalishwa cha pisi bilioni 9 (2021: Bn 8.6) kiliongezeka kwa asilimia 7, jambo ambalo lilitokana na mauzo mazuri ya nje (asilimia 18), hususan kwenda Jamhuri ya Kidemokrasia ya Kongo.

tukizingatia adabu na desturi za TCC Plc. Kampuni ya Sigara Tanzania imepokea tuzo kadhaa mwaka 2022. Hii ni pamoja na tuzo ya kuwa Mwajiri Bora nchini na barani Afrika ikiwa tumepokea tuzo hiyo miaka mitano mfululizo. Tuzo hii tumepewa na Taasisi ya Uajiri Bora (Top Employer Institute). Aidha, tumeendelea pia kupewa tuzo ya Mwajiri Bora katika Uongozi na Utawala bora kutoka kwa Umoja wa Waajiri Tanzania (ATE). Tuzo hizi ni ushahidi tosha kuwa TCC Plc ni kipenzi cha waajiriwa wa Tanzania na kwamba bila shaka kuna tija endelevu katika kuwekeza katika wafanyakazi.

Tulipitia upya Mkataba wa Makubaliano ya Hali Bora za Wafanyakazi (CBA), jambo ambalo pamoja na mengine limepelekea kubadili sera yetu ya namna tunavyofanya kazi (New Ways of Working (NWOW)), sera ambayo, kimsingi inawapa wafanyakazi uhuru zaidi katika utendaji wao wa kazi. Mabadiliko ya sera hii yanaonyesha jinsi gani tunavyo badili matarajio yetu, kuboreshwa kwa mazingira ya kazi na jinsi tunavyoendelea kuimarisha ufanisi na uzalishaji kwa kushirikiana.

Kuchochea usawa na mazingira jumuishi ni muhimu sana katika mkakati wetu wa watu. Dhumuni letu ni kufanya TCC Plc kuwa sehemu bora ya kazi kwa wafanyakazi wote, wake kwa waume, huku tukizingatia pia mahitaji ya wafanyakazi waishio na ulemavu. Dhumuni ni kuwa na mazingira ya kazi ambamo kila mmoja anaheshimiwa, anahamasika na kuweza kuzingatia kazi yake vilivyo. Kwa mwaka 2023 tutaendela kusuka desturi ya usawa na ujumuishi katika misingi ya utamaduni wetu hapa TCC Plc.

Mazingira ya utendaji kazi

Tunashukuru sana Serikali kwa juhudi zake katika kuboresha mazingira ya uwekezaji nchini. Usalama na amani vikiwa vigezo vya ukuaji wa kiuchumi, ninayo furaha kusema vinaendela kudumishwa, na hivyo kutuhakikishia mazingira ya kazi. Licha ya changamoto zinazoendelea ulimwenguni, TCC Plc itaendelea kuchukua hatua stahiki kwa kuzingatia soko na kwa mujibu wa misingi ya biashara yetu.

Unafuu na sera rafiki zilizoko ni muhimu katika mpango mzima wa kukuza biashara nchini. Unafuu wa kodi kwa kuzalisha sigara zinazotumia asilimia 75 au zaidi ya tumbaku inayolimwa nchini ni muhimu kwa ukuaji wa biashara yetu na mnyororo wote wa usambazaji wa tumbaku kwa wazalishaji wa sigara nchini.

Gharama kubwa ya stempu za kielektroniki za kodi inaendelea kusababisha wasiwasi kidogo. TCC Plc itaendelea kufanya kazi na serikali katika kutafuta teknolojia nafuu zaidi. Aidha, tunaishukuru serikali kwa kutoyumbisha ushuru wa bidhaa. Jambo hili ni muhimu katika kupunguza gharama ya kufanya biashara ambayo mwisho wa siku hupelekea utendaji mzuri zaidi ambao huambatana na kupanda kwa kipato cha serikali upande wa kodi. Tunaamini ushuru uliokomea "0" ukijirudia tena mwaka 2023 utawezesha TCC kuongeza mauzo yake na hivyo kuipatia serikali kodi kubwa zaidi.

Ustawi wa bidhaa na chapa zetu za kimataifa

Kudumisha uwekezaji katika ustawi wa chapa zetu za kimataifa na za ndani kumeborisha utendaji wetu na kuimarisha dira yetu ya kimkakati kwa mwaka 2023. Winston, chapa kubwa kabisa katika chapa zilizoko chini ya kampuni yetu mama JTI, imeendelea kushika hatamu katika soko mwaka 2022, ikikua kwa asilimia 18 tofauti na mwaka 2021. Mwaka uliopita, Embassy, ikisaidiwa na bidhaa nyenyeza na adhim itwayo Embassy Double Click, iliongeza mauzo kwa asilimia 15 huku Camel ikiongeza mauzo kwa asilimia 6%. Chapa nyingine mahususi ya Crescent & Star iliongeza mauzo kwa asilimia 19 tofauti na mwaka uliopita. Kuwekeza katika ustawi wa chapa zetu kunaendelea kuleta matokeo chanya; ni muhimu pia kutambua kuwa jitihada zetu za kimasoko zitaendelea kuzingatia vigezo, masharti na sheria za tumbaku hapa nchini.

Uendelevu katika Kampuni ya Sigara Tanzania

Dhana nzima ya uendelevu ni muhimu sana kwa TCC Plc. Kama kiongozi, nimeweka nia madhubuti kuhakikisha TCC Plc inaendelea kutunza adabu, heshima, pamoja na kutokuendelea rushwa ya aina yoyote ile kutokea ndani ya shirika. Ninawajibika moja kwa moja kuhakikisha tunajenga taswira ya thamani yenye kudumu kwa wateja wetu, wafanyakazi, wanahisa, na jamii kwa ujumla huku tukiunga mkono juhudi za kutunza mazingira. Aidha, tunahakikisha utendaji wetu ni wenye kuzingatia wajibu, utu na utawala bora.

TCC Plc imechukua hatua kadhaa ikiwa ni sehemu ya mkakati mzima wa kuhakikisha tunafanya biashara endelevu. Tumewekeza vilivyo katika miradi kadhaa yenye kutunza mazingira, mathalan, umeme wa mwanga wa jua, maji, pamoja na miradi ya kudhibiti taka. TCC Plc inataraji kuendelea kuelekea nguvu kubwa kuunga mkono ukuaji endelevu wa Tanzania kupitia shughuli zetu za kijamii na kibiashara.

Hitimisho

Kampuni ya Sigara Tanzania (TCC Plc) itaendelea kuwa mfano bora kwa wateja, wanahisa, na wafanyakazi wetu, pamoja na jamii nzima kwa ujumla, ikidhihirisha kuwa ni mshirika rafiki kijamii na kiuchumi. Siwezi kushukuru serikali ya Tanzania vya kutosha, pamoja na wadau mahususi wa shirika hili, kwa kutuunga mkono pasi na kuyumba. Shukurani zangu za dhati ziwaendee wateja wetu wa kudumu, wafanyakazi, menejimenti, na Bodi ya Wakurugenzi kwa mchango wao usio na ukomo.

Ahsante,

Takashi Araki

Chief Executive Officer





Corporate Information

Directors and advisers:

Directors

Mr. Paul Makanza (Chairman)*
 Mr. Onesmo Makombe*
 Mr. Bertrand Tamisier*
 Mr. Johnny Ng*
 Mr. Michal Bachan**
 Ms. Asina Omari ***
 Mr. Takashi Araki

* *Non-executive Directors*

** *Retired*

*** *Resigned*

Principal bankers

Standard Chartered Bank Tanzania Limited
 CRDB Bank PLC
 National Microfinance Bank PLC
 Citibank Bank Tanzania Limited Foreign
 ABSA Bank Tanzania Limited

Secretary, Registered Office and Principal place of business

Mr. Godson Killiza
 20 Nyerere Road
 P.O. Box 40114
 Dar es Salaam
 Tel: +255 22 216 6000/1

Shareholding structure:

Shareholder

Share Holding**

JT International Holding B.V.	75.0%
Kingsway Fund	8.6%
General Public	6.2%
Public Service Social Security Fund	4.7%
The United Republic of Tanzania	2.2%
Umoja Unit Trust Scheme	2.2%
TCCIA investment Company Limited	0.3%
Allan Gray Africa EX-SA Equity Fund Limited	0.3%
African Lions fund Ltd	0.2%
Sayed H. Kadri &/or Basharat Kadri	
&/or Mehboob &/or Khalid &/or Muzammil Kadri	0.2%
Alliance Insurance Corporation Limited	0.1%

Total

100%

Shareholder classification by location

Local	16.1%
Foreign	83.9%
Total	100.00%

Holding and ultimate holding companies

Japan Tobacco Inc (JT)	Ultimate holding
JT International Holding B.V.	Holding

Auditors

Ernst & Young
 Certified Public Accountants
 EY House
 Plot 162/1 Mzinga Way
 14111 Oysterbay
 Dar es Salaam
 Registration Number:151
 TIN number: 100-149-222

termination of employment.

The JTI CoC sets out ethical business conduct and behaviors expected of all employees in the course of conducting business. Employees can also raise concerns on suspected violation of the CoC through their supervisors or anonymously via YOUR VOICE.

Report of the Directors for the year ended December 31, 2022

The Directors present their annual report and the audited financial statements of Tanzania Cigarette Public Limited Company (the "Company" or "TCC Plc") for the year ended December 31, 2022, which disclose the Company's state of affairs.

1. Incorporation

The Company was incorporated under the Companies Ordinance, Cap 212 which was repealed by the Companies Act, 2002 with registration number 3542 and is listed on the Dar es Salaam Stock Exchange (DSE). The registered office and principal place of business are disclosed on page 39.

2. Vision, mission and values

The company's vision is to maintain the number one position by volume in Tanzania. Its mission is to grow volume and profit while defending market share by delivering quality brands and maximizing consumer and customer satisfaction through innovation, employees' engagement, integrity and excellence in execution.

Our core values are:

<i>Winning attitude:</i>	We are driven by success. We have a passion, commitment and drive to succeed, putting our targets front and center.
<i>Better together:</i>	We work as 'One Team'. We value collaborative and harmonious working that embraces diversity of thoughts, and the importance of a strong, unified team.
<i>Commitment to quality:</i>	We put the consumer at the heart of what we do. We're dedicated to delivering the high standards of quality that our consumers demand. We continue to create and deliver the best products for our consumer.
<i>We do the right thing:</i>	We act responsibly to drive sustainable success. Our decisions are made with integrity and honesty. Acting in a way that is ethical and responsible for our investors, our people, our customers and society as a whole.

3. Company Operations

Principal activities

The principal activities of the Company are production and distribution of wide range of cigarettes inside and outside Tanzania. The Company manufacture some of the domestic brands such as Embassy, Portsman, Sweet Menthol, Safari, Club and Crescent & Star.

The Company is a public listed company on the Dar es Salaam Stock Exchange. The share price as of December 31, 2022 was TZS 17,000 (2021: TZS 17,000).

Size of the manufacturing plant

The company has six making & packing lines with installed annual capacity of 11 billion sticks, producing 51 different cigarette brands for four different markets.

Description of the market

The Company sells its cigarettes products in domestic market and exports in foreign countries. Brands sold in the United Republic of Tanzania market include Camel, Winston, Club, Embassy, Portsman, Sweet Menthol, Safari and Crescent & Star.

Export markets include Democratic Republic of the Congo and Mozambique. The export brands include Camel, Aspen, Club, Monte Carlo and LD.

Employees

TCC prides itself as an equal opportunity employer with employees from all backgrounds. It does not discriminate on the grounds of disability, gender, or religion. . Equal opportunity and treatment are guaranteed to all current and prospective workers in the areas of recruitment, remuneration and benefits, succession planning, performance evaluation and reward, and disciplinary action. The Company has various initiatives to improve employees' performance and productivity through continuous professional development. The safety of employees, their families and business continuity continued

Report of the Directors for the year ended December 31, 2022 (Continued)

3. Company Operations (continued)

to be key priorities for the Company even in 2023. Details on social responsibility are described on item 15 of this report.

Social and community issues

Our community investment programs branded as "Together Creating Change," use an all-encompassing and inclusive strategy in the long-term development of adult recipients' lives. As a result of agreements with social and cultural partners, the company directly and indirectly supports initiatives in communities. Details on social responsibility are described on item 18 of this report.

Gender parity/ diversity

The Company continued to be an equal opportunity employer. It established a cross-functional Diversity & Inclusion Committee supporting the company-wide initiatives of an inclusive, multi-cultural, and ideal workplace. There is full adherence to the Human Rights guidelines, and discrimination practices of any sort are strictly intolerable. The Diversity & Inclusion committee helps the Company focus on providing equal access and opportunities by embracing all employees irrespective of race, religion, gender, nationality, and other action plans. More details on social responsibility are described on item 15 of this report.

Contractual arrangements

The company has various contractual arrangements which are mainly categorised as follows:

- I. Employment contracts with employees
- II. Contracts with suppliers of goods and services to the company. Details are in note 25 of the financial statements
- III. Contracts with customers. Details are in notes 21 to the financial statements
- IV. The Company has an overdraft facility with local banks for financing its working capital requirements as detailed in note 32 of the financial statements.

4. Competitive landscape and market forces

Competitive position

TCC Plc operate in a competitive environment in all facets of the business. We compete largely on product quality, brand awareness, brand loyalty, Research & Development, innovation, packaging, customer service, marketing, and pricing. We primarily sell cigarette brands such as Embassy, Portsman, Sweet Menthol, Camel, Winston, Crescent & Star in the combustible product category.

We compete successful in all price points, with our brand portfolio focusing from value to premium price segment. Our competitive position can be impacted by adverse economic conditions, change in consumer preferences, introduction of new competitor products lower price points, increase in tobacco product taxes, and government legislation.

Our competition includes domestic producers and international tobacco companies (import through distributors). All players in the industry sell Ready-Made Cigarettes (RMC) focusing on Full Flavor, Menthol and Flavor on demand products.

Tanzania government has put in place 75% inclusion rule on Tanzania tobacco (75% Domestic Tobacco Content) designed to support farmers and local value addition. The inclusion supports us local manufactures, with negligible excise duty rate on cigarettes brands that uses 75% of Tanzania tobacco and a considerably higher rate on other cigarettes (imported cigarettes). TCC will continue leveraging the inclusion rule while responding to the challenging environment by advancing our strategy and long-term priorities.

Market forces

The company has +90% market share in the country. We have around 16 branches across the country, and our primary mode of distribution is through wholesalers, who subsequently serve the retail trade organically or/and through motorcycle salesmen.

We have successfully established a complete countrywide supply network, guaranteeing that our products are regularly available across the country, as well as increasing our cigarette export operations to Zambia, Mozambique, and the Democratic Republic of the Congo.

Report of the Directors for the year ended December 31, 2022 (Continued)

4. Competitive landscape and market forces (Continued)

Disposable income does influence brand selection as it determines the type of tobacco product purchased in the country however, substantial sales are still being lost to the growing illicit trade and the widespread use of traditional alternatives, with rising inflation putting pressure on demand.

To keep consumers interested, new brand variants, new package designs, and new flavors remain a big emphasis of the industry's new product development. As we adjust to demographic shifts as well as evolving customer tastes, innovation continues to be focused to low, mid and upper-class adult smokers who are most open to innovation although affordability remains to be an important factor for brand affinity.

5. Operating environment

Tanzania Government has embarked on ensuring proper investment environment in the country. The continuous implementation of the Blueprint on Regulatory Reforms has increasingly created a better investment environment. The presence of peace and stability has continued to assure investors a sustainable operating environment. For local cigarette manufacturers, the existence of the 75% Domestic Tobacco Content (DTC) incentive for manufacturers using at least 75% of locally sourced tobacco is favourable and key to our existence as an entity.

Macro and micro economic overview

Tanzania has endured relatively high growth in economy this year. GDP growth by 4.5% (as reported via EIU report) is driven by rising private consumption growth and investment spending on infrastructure, including mega-projects such as the EACOP, phased development of cross-border railways with Rwanda, power projects and road network expansion. New investment in sectors such as infrastructure and FDI inflows for public-private partnerships.

Whilst increase in GDP was pleasing, the primary drivers for business performance were strong sales performance for both domestic and export markets, excise tax freeze for 2022/23 from the government budget and controlled consumer price inflation below 5% positively impacting consumer affordability.

Regulatory Environment

Tobacco sector is a highly regulated sector due to its sensitivity, potential and value chain contribution.

As a responsible corporate citizen in the tobacco industry, we are determined to be included in contributing towards national-level policies and promote a fair and balanced tobacco regulatory environment. Contribution of such matters in a true, fair and honest approach, not only enhances, but also strengthens our cooperation between the government, public sector and appropriate stakeholders.

We believe that regulation built on open dialogue and shared expertise enables businesses and communities to flourish. That's why one of our key sustainability targets is to protect our ability to participate in public policy debate. We do this with the aim of achieving balanced regulation that meets societal concerns while supporting business growth.

Political Environment

The stable political environment fostered by the existing peace and unity have enabled the Government to focus on development agenda which is pro-business and reform oriented. This further underpins a robust growth outlook for the private sector; Accelerated economic growth, driven by trade, mining sector expansion and public infrastructure investment. Mega-projects including Julius Nyerere Hydropower Project, Standard Gauge Railway between Tanzania, Rwanda and Burundi, and a crude oil pipeline between Uganda and Tanzania.

Digital environment

The Company has embarked on enhancing high-technology infrastructures in running its operations. It uses SAP ERP in resource planning, modern production machineries, globally centralized research and development centers that give the company a competitive advantage in the market.

Needs and interests of key stakeholders

The company puts stakeholders' interest at the heart of operations, it does that by ensuring safe and healthy working environment and offers attractive and fair remuneration for its employees. Applying customer centric approach in producing quality products that offer excellent customer experience. Compliance with all legal and regulatory requirements, providing long term business growth and value creation through share price appreciation and dividend payments to its investors.

Report of the Directors for the year ended December 31, 2022 (Continued)

5. Operating environment (Continued)

Societal matters in the environment we operate

Human rights

The Company value and respect the people that they interact with; internally and externally. Company commitment towards human rights is enforced at the board level through our 4S Management Model and is managed at departmental levels. The concept of human rights is integrated into our culture and allows a fair and accessible mechanism encouraging employees and suppliers to speak up for human rights without any fear of retribution.

We address our human rights issues through tailor-made corrective measures implemented via our human rights action plans which are incorporated in our code of conduct and community investment policy

Health and Safety (EHS)

We strive for zero harm among our employees and to carry out all our business activities in a safe manner. We focus on managing and mitigating health and safety risks arising from our business activities, creating safe workplaces, building safety competence, and developing a sustainable safety culture across the business.

Environmental challenges

The Company is aware of the continuous environmental and societal concerns in the current age. In this decade, we have experienced a wave of negative climate change effects which have resulted in the melting of the ice caps, rising sea levels and increased frequency in extreme weather conditions.

The company has implemented sustainable business practices which contribute towards conserving resources, reducing waste (and maximizing industrial symbiosis), managing our financial and non-financial costs for reinvestment and reducing our GHG emissions.

Corporate Social Responsibility

The Company is responsible and committed to protect the environment and making a positive difference in the areas it operates. The Company commit to this via long-term partnerships with various stakeholders through volunteering opportunities, prospects for employees to engage with the communities, development of new skills which allow the entity to gain a sense of pride and satisfaction and true gratitude.

It contributes towards the community via various community investment programs which improve livelihoods and reduce inequalities, improve community resilience and protect the environment through reforestation programs in the community with the help of employees. Details on social responsibility are described on item 18 of this report.

6. Principal risks and uncertainties

The Board is responsible for the establishment and oversight over the business risk management framework. The execution of this responsibility is cascaded to management, who are responsible for managing material risks that fall within their operating domains.

Through internal control department various assessment and reports are made to identify, analyses risks and impact on the operation. Relevant reports are made to the Finance director on a quarterly basis and to the Board of Directors.

Fraud risk

The Company understand the notable risk of fraud that may incur losses resulting from fraudulent transactions. As a result, it has formalized a few policies that will reduce the likelihood of fraudulent transactions: in addition to in-house training and awareness programs. Preventing Financial Crime Policy (PFCP), Know Your Customer Policy (KYCP) and Know Your Supplier Policy (KYSP) have been designed, implemented, and strictly followed.

Operational risk

Our size and operations expose us to this risk if our activities are not being conducted in accordance with the requirements of various company policies and international certifications which we are proud to showcase. The management within different departments ensure full compliance.

Report of the Directors for the year ended December 31, 2022 (Continued)

6. Principal risks and uncertainties (Continued)

Financial risk

The Company is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks and market price fluctuation risks) in the process of its management activities; and it manages risks based on a specific policy in order to avoid or reduce said risks. More details of the financial risks facing the Company are provided in Note 33 to the financial statements.

7. Stakeholder engagement and management

Communication is a critical aspect of our business. We understand that the success of our business and its sustainability depends on our stakeholders' input and involvement in various aspects of the business.

As a public limited company, our attention is geared towards taking efforts in engaging our stakeholders. This is guided by our business integrity principles and our 4S Model. Our business integrity principles provide guidance on how we engage and manage government and regulatory bodies, whilst the 4S Model attends towards TCC PLC's consumers, employees, the society and shareholders.

In the table below, we present various stakeholder groups on how we engage them and how we create value to allow a mutually beneficial relationship

Stakeholder Group	How We Engage	Key Focus Areas
Our Employees	<ul style="list-style-type: none"> • Routine safety meetings • Professional development • Internal communications programs • One-on-one meetings 	Safety standards and employment opportunities
Our Customers	<ul style="list-style-type: none"> • Social Media, customer satisfaction • Surveys via activation events 	Improve customer satisfaction and reduce health effects
Government & Regulators	<ul style="list-style-type: none"> • Regular site visits and inspections • One-to-one engagement with various government stakeholders formally and informally 	Compliance and delivering value to all stakeholders
Society	<ul style="list-style-type: none"> • Forums and workshops • Community development and investment opportunities 	Providing access to long-term sustainable community development
Our Shareholders	<ul style="list-style-type: none"> • Site tours for monitoring of programs • Annual General Meetings 	Providing long-term business growth and return on investment

Report of the Directors for the year ended December 31, 2022 (Continued)

8. Capital structure and shareholders

The Company's capital structure is as follows:

		2021	2022
		TZS M	TZS M
Authorized	125,000,000 ordinary shares of TZS 20 each	2,500	2,500
Issued and fully paid up	100,000,000 ordinary shares of TZS 20 each	2,000	2,000

The Company's shareholding structure as at December 31, 2022 is shown on Page 39.

JT International Holding B.V. is the majority shareholder in the Company, owning 75% of the issued and paid-up ordinary shares (75 million shares). Local institutions, the general public and other foreign investors own the remaining 25% (25 million shares).

9. Directors' interest in the issued capital

The Directors of the Company do not hold any material interest in the issued share capital of the Company.

10. Cash flows

The Company's major source of cash flow was from operating activities, in which during 2022 cash from operations increased by 25% to TZS 105 billion (2021: TZS 84 billion). The funds generated in 2022 was mainly utilized to pay corporate tax by TZS 40 billion (2021: TZS 26 billion), dividend to shareholder by TZS 60 billion (2021: TZS 80 billion), capital expenditure and remaining amount was retained in the business. Such activities are the major factors explaining the Company movement in cash flow generated from operations.

The Company's cash projections indicate that future cash flows will mostly be generated by operations. TZS 94 billion is planned to be generated for the 2023 financial year. This will be used to fund capital investments as well as providing returns to shareholders.

11. Corporate governance

Board of Directors

The Company is governed by a Board of Directors consisting of members with diverse international, local industry experience and professional expertise. The Board comprises of one Executive Director and five non-Executive directors. Two non-Executive directors represent the minority shareholders. A Company Secretary supports the Board.

The Board meets a minimum of two times a year to conduct its affairs. Nomination and Audit Committees support the Board of Directors. The committees meet at least two times annually.

Key responsibilities of the Board include identifying and mitigating risks; ensuring effective policies, procedures, and internal controls are in place; ensuring compliance with sound corporate governance principles; approving and monitoring investment as well as other significant business decisions; and reviewing the performance of management business plans and budgets.

Report of the Directors for the year ended December 31, 2022 (Continued)

Corporate governance (continued)

Board of Directors (continued)

The Directors of the Company at the date of this report and who served since January 1, 2022, except where otherwise stated, are:

Name	Position	Qualification	Nationality	Age	Appointed/ Resigned	Date Appointed/ Resigned/Retired
Paul Makanza	Chairman (Non -executive)	B.Com, MBA	Tanzanian	55	Re-appointed	August 11, 2020
Onesmo Makombe	Director (Non-executive)	MBA, Certified Public Accountant	Tanzanian	52	Appointed	April 23, 2021
Asina Omari	Director (Non-executive)	Masters of Laws	Tanzanian	43	Resigned	October 24, 2022
Bertrand Tamisier	Director (Non-executive)	Masters of Science in Business Administration, Certified Public Accountant	Swiss	56	Re-appointed	January 1, 2021
Johnny Ng	Director (Non-executive)	MBA	Chinese	48	Appointed	January 1, 2021
Michal Bachan	CEO	Masters of Marketing & Management	Polish	46	Retired	August 27, 2022
Takashi Araki	CEO	BA Psychology	Japanese	51	Appointed	August 28, 2022

Audit Committee

The Audit Committee liaises with internal and external auditors on accounting, internal controls, and financial reporting matters. The Committee reviews the effectiveness of internal control systems and risk management processes within the Company.

The Audit Committee constitutes three non-Executive members as indicated below:

Name	Position
Johnny Ng	Committee Chairman
Onesmo Makombe	Member
Bertrand Tamisier	Member

The committee met twice in the year 2022 on March 25 and August 24 respectively. The committee among other things recommended to the board the final and interim financials for approval respectively, considered updates from internal and external auditors, approved the internal audit plan and deliberated on the progress of remediation actions. Further, the committee recommended to the board a dividend policy for approval.

Report of the Directors for the year ended December 31, 2022 (Continued)

Corporate governance (continued)

Nomination Committee

The Nomination Committee identifies individuals qualified to become members of Tanzania Cigarette Public Limited Company's Board of Directors and its committees, recommends to the Board candidates for the Board and its committees, identifies individuals qualified to become senior executives of the Company, develops and recommends to the Board a set of corporate governance principles, performs a leadership role in shaping the Company's corporate governance policies.

The Committee constituted four non-Executive members as provided below:

Name	Position
Bertrand Tamisier	Committee Chairman
Paul Makanza	Member
Johnny Ng	Member
Asina A Omari	Member (Resigned October 24, 2022)

The Committee held two meetings in the year, on March 25 and August 24 respectively. All the members were in attendance in the meeting and the committee was satisfied that there is a robust succession plan in the organization, in terms of diversity, equity and inclusion (DE&I) the committee was satisfied that the organization is on the right track and there is a dedicated DE&I committee formed in the organization to foster diversity and inclusion. The committee further recommended to the board the appointment of Mr. Takashi Araki as a board director replacing Michal Bachan who retired from the Board.

Management team

Management is responsible for day-to-day operations under the Chief Executive Officer (CEO). The CEO is supported by a highly qualified and experienced Executive Management team of seven (7) Heads of Functions.

Heads of Functions report to the CEO, except for the Manufacturing Operations Lead, who reports to Senior Vice President Global Supply Chain and Director of Legal Affairs who reports to the VP and Associate General Counsel MENEAT & GTR.

Below are details of the Management team.

Department	Head of Department	Qualification	Nationality
Chief Executive Officer	Takashi Araki	BA Psychology	Japanese
Manufacturing	Samwel Mandara	Bachelor of Engineering	Tanzanian
Finance and IT	Thomas Hadorn	Master of Business Administration	Swiss
People and Culture	Angela Mangecha	BA (Human Resources)	Tanzanian
Legal	Godson Killiza	LLB	Tanzanian
Sales	Charles Mauya	Master of Business Administration	Tanzanian
Corporate Affairs	Patricia Mhondo	Master of Business Administration	Tanzanian
Marketing	Yassin Hussein	Master of Marketing	Tanzanian

12. Performance evaluation and reward

Details of remuneration of the directors and key management personnel are disclosed in Note 29 (iii) to the financial statements. The Company utilizes results of market surveys to ensure salaries/fees and benefits are paid according to market trends, while considering the value of the employee's contribution and performance of the Company.

Report of the Directors for the year ended December 31, 2022 (Continued)

13. Key policies and procedures

We operate with the highest standards of ethical behavior and expect all employees, business partners, and every person acting on our behalf worldwide to live up to these standards. Doing so is critical to protecting our employees, upholding our reputation as a responsible company and to securing our ongoing business success.

Our Code of Conduct - the JTI Code of Conduct (CoC), applies to all individuals in an employment relationship with TCC, as well as external staff, such as temporary personnel, even if not employed directly by TCC. The standards outlined in our Code are not exhaustive. They do not replace local laws or JTI operating guidelines, policies and procedures. If a standard within our Code differs from applicable laws, the stricter standard will prevail. However, you must never breach applicable laws.

The Company's Operating Guidelines - JTI Operating Guidelines (JTI OGL) - form an integral part of the Company's internal control structure and corporate governance framework. They reflect the delegation of decision-making authority from the parent company, JTI, to the Company and the approvals required for various business decisions.

Failure to comply with the JTI Code of Conduct, our legal obligations or our operating guidelines, policies and procedures may result in disciplinary measures, including termination.

We want to do business with partners who share our values and adopt clear commitments to uphold the standards outlined in our Code.

There are several ways to raise concerns of misconduct. Employees can also raise concerns on suspected violation of the code of conduct through their supervisors or anonymously via YOUR VOICE platform. However, you get in touch, we will keep reporter's identity confidential throughout the Your Voice process, unless the reporter requests otherwise or it is required by law.

Key policies and procedures found in the JTI CoC and JTI OGL include:

Know Your Business Partners: Our employees are responsible to identify and verify their Business Partners with the appropriate degree of due diligence. Therefore, before engaging with a Business Partner, the Business Partner certification process must be completed. We expect our business partners to comply with applicable laws, The Company's Supplier Standards, material quality criteria and service agreements. They are required to make available for inspection their goods or

services when requested by the Company.

Ensuring Product Quality: Quality is assured throughout all stages of the product lifecycle including product development, sourcing, manufacturing, storage, distribution, and customer service, and all in full compliance with regulatory and legal requirements. We manufacture products in accordance with our stringent specifications using quality tobacco and non-tobacco materials from trusted sources.

Know Your Customer (KYC): We expect any business partners retained for market research, brand marketing, product promotions or other M&S activities to comply with our M&S policies, guidelines and procedures, as well as all applicable legal requirements and the JTI Global Marketing Principles. The Company rigorously analyses all its customers periodically, to ensure it does business with legitimate and law-abiding customers only.

Marketing Our Products Responsibly: We take this responsibility seriously and fully comply with all relevant regulations and the Company's Global Marketing Principles. We do not market our products to minors. We also do not encourage anyone to take up smoking, and do not try to dissuade smokers from quitting. We market our products to adult smokers in order to maintain brand loyalty and to encourage adult smokers of competitor brands to switch to our products. We believe that adult smokers should be appropriately informed about the health risks of smoking before they make the decision to smoke.

Fighting Bribery and Corruption: We have a zero-tolerance approach to bribery and corruption, and we are committed to acting with integrity in all our business dealings. We expect all our business partners, including those appointed to act on our behalf, to fully comply with our zero-tolerance povvave been involved in a form of bribery or corruption.

14. Risk management and internal controls

Risk Management is an integral part of our company's governance system. Our reporting system is governed by internal risk management implementation frameworks that are guided by our group company.

It's the task of management to identify and closely monitor risks that could affect our operations and implement measures to both prevent them from materializing and minimize their impacts if they were to materialize. Our established risk management system is spread into four areas: Identification of risks, Assessment of Risks, Risk Response and Monitoring Risks

Report of the Directors for the year ended December 31, 2022 (Continued)

14. Risk management and internal controls (continued)

Internal controls: Internal controls are the defence mechanisms which provide assurance to the board of directors, audit committee and senior management that the company's financial reporting standards are reliable and compliant with the applicable laws and regulations.

The Company nurture a strong environment of internal controls with oversight from the top management. The culture of demonstrating ethical behavior, commitment towards integrity and transparency, and leading by example begins with the senior management. All ethical principles, values and procedures are communicated across every level in the form of written policies, encouraged to be followed through training, reward systems and two-way feedback forms, and assured through independent internal and external audits.

15. Employee welfare

Employee relations

As a responsible Company, TCC Plc continues to ensure that our employee relations are harmonious and sustainable for all. We believe in equal and equitable opportunity for all no matter the gender, disability, religion nor ethnic background. As of December 31, 2022 the Company had 438 employees (2021: 445 employees). Female employees constituted 19.6% (2021:19.1%) of the total workforce.

Gender	2022	2021
Male	352	360
Female	86	85
	438	445

We believe to maintain a harmonious environment; it is key for Management and Trade Union to work together at all times to ensure employees' and their dependents' wellbeing remain our focus area. In 2022, Management and the Employee's Union (TUICO) reviewed and signed another Collective Bargaining Agreement (CBA) for the next three (3) years. The new CBA has enhanced majority of employees' issues including allowances i.e. transport, per diem, meals and children education.

TCC Plc once again emerged a Top Employer in Tanzania and Africa for year 2023; this is the sixth time in a row. This is because TCC Plc believes in the human resources practices we have to ensure that they indeed add value to our employees and to the overall business performance. Moreover, the company is still holding a GOLD certification from Investors in People which is also another global accreditation. We believe that being part of a Global Company, it is important that we benchmark ourselves internationally and locally. TCC

participated in the Association of Tanzania Employers (ATE) awards and was able to achieve the Governance and Leadership winner award for (Employer of the Year Award) EYA 2022.

The Company is also conducting Employee Engagement Survey (EES) every year and the results for the year 2022 portrayed and increased employee engagement by 3% from 2021 EES. This is the result of total commitment from Management and Employees to ensure the addressed issues are tackled within time.

Talent Management

Our most important assets remain to be our people and so we put a lot of investment in developing our talents with timelines to ensure we track their performance and give them opportunities to grow. Our approach to Talent Management (TM) is well structured to ensure employees get a better platform to develop their careers and contribute to the Company's. In 2022 the Company invested TZS 212 million (0.5 million per employee) (2021 TZS 170 million or 0.4 million per employee) in training and development only by offering employees numerous learning opportunities. The Company also continued to utilize its talents well, wherein 2022, internal employees filled more than 50% of management roles and with 1.4% increase female hire.

Learning & Development

TCC Plc is particularly focus on adapting a blended approach for learning interventions to our employees. In 2022, we managed to onboard physical inhouse training i.e., Executive Coaching Program, CEO Apprenticeship Program, Authentic Leader Manager -Level 2, Pre-Retirement Planning Entrepreneurship, Financial Literacy & Psychological Counselling, Personal Mastery & Emotional Intelligence, and In-depth Steps of the call & Merchandising Standards and various learning intervention from self-paced eLearning (LinkedIn Learning), virtual trainings.

With the paradigm shift to remote work, our focus for 2023 is to adapt training strategies for a hybrid workplace, which aims at upskilling, reskilling and engage remote employees by using a blended learning approach in building high-performance, fully engaged, inclusive workplace.

Medical assistance

The Company also continues to invest in a medical insurance scheme that covers all its staff members and including a maximum of five dependents. This is covered by Strategies Insurance Tanzania. In addition, there is an employee wellness program to raise awareness and educate employees on prevention of common ailments such as Diabetes, Hypertension, Obesity, Malaria,

Report of the Directors for the year ended December 31, 2022 (Continued)

15. Employee welfare (continued)

Medical assistance (continued)

Cancer, Financial Management, Mental Wellbeing and HIV/ AIDS. Currently, this service is outsourced and provided by Aris Risk and Insurance Solution Limited. On top of that, the Company also provides an internal Employee Assistance Program (EAP) support that also provides for counseling services and wellbeing support for staff and all dependents that they live with.

Financial assistance to staff

Management encourages staff to join Mkombozi Savings and Credit Co-operative Society (SACCOS) to assist in promoting the welfare of its employees. The Company also provides education allowance for its eligible employees.

Compensation and benefits

The Company's compensation approach continues to be 'pay for performance,' while ensuring fair pay and competitiveness within the industry and country. The approach ensures all employees are compensated, while being challenged for performance and engaged to work smartly to support their personal and professional growth while also supporting the Company's key business objectives in the process. Key theme in 2022 was geared towards performance management so as we can have a fit for the future workforce. With our vision 2030, we will keep on enforcing this message because it is the only way to get our vision to reality.

Diversity, Equity and Inclusion

The Company has engaged CCBRT with a key focus to partner and embark on several initiatives to address DE&I matters. Notable initiatives include instilling the readiness mind and culture for TCC Plc staff to live and work with "People With Disabilities" (PWDs), office premises assessments to make the workplace more conducive and accessible to all as well as the recruitment of PWDs among others. Another focus is increasing the number of females in our male dominated areas.

The Company has an existing diverse DE&I team which includes a member who is a person with disability who plays a pivotal role in addressing inclusivity agenda for PWDs and related matters during the setting of various policies and initiatives at all levels.

The Company has currently 3 PWDs, management is still committed and plans to recruit more in line with current legislation, available vacancies, and trainees' opportunities. In effort to address DE&I challenges, the Company is also working closely with People & Culture Vendors to ensure they also recruit PWDs employees.

Our New Ways of Working

The Company, under the financial year 2022, was able to introduce a newly engaged policy that allows our employees to choose how, when and where they work through our New Ways of Working Policy.

This policy provides financial support to employees in form of assistance to allow them to set up their home-based offices that conform to ergonomic guidelines. We understand that employees' comfort, productivity, motivation, health and safety are of paramount importance. Phase 1 of our New Ways of Working Policy focused on employees who work in the market and factory office-based divisions. During this stage, we collected data such as behavioral trends, staff experiences and necessities to review and implement into our second phase. We will also have another phase that will involve our direct field-force in sales and our factory shopfloor employees to ensure that we keep reviewing and improving working conditions of all our employees

16. Promoting a safe environment

The Company believe in providing an environment that is safe and conducive to work. Safety is a culture that has been embedded into our processes and in our surroundings. We firmly believe that nobody should be injured because of an accident in the workplace.

Our internal occupational health and safety policy complies with the ISO 45001:2018 – Occupational Health and Safety which sets the minimum standard of practice to protect employees in organizations.

Our health and safety policy are designed for seamless integration into our management processes and accommodates flexibility, accountability and reporting. Our policy takes into consideration a risk-based approach that ensures its effectiveness by undergoing continual improvement cycles to meet our ever-changing risk portfolios. These include necessary reporting and management of people-related matters for the workplace as well as workplace-related matters on the ground.

17. Political and charitable donations

As a matter of policy, the Company does not make political contributions.

18. Community Investment

Our Community Investment program helps the communities in which we operate become more

Report of the Directors for the year ended December 31, 2022 (Continued)

18. Community Investment (continued)

inclusive, allowing everyone to thrive and play an active role in society. It's just one of the ways in which we strive to do the right thing, while at the same time contributing to our volunteering and community investment sustainability targets and our Vision 2030.

Community Investment is a key element of our sustainability strategy, as it relates to our responsibilities as a Company towards people and society at large. Through our community investment projects and initiatives, we strive to enable inclusion as defined by the United Nations.

We also provide volunteering opportunities for our employees, who can use and develop their skills to the benefit of their local communities. To be focused and accountable, we measure the progress and success of the work that we do.

TCC is committed to help make communities inclusive because:

- We believe that everyone should have the opportunity to participate in society
- We believe that everyone should have the opportunity to maximize their potential
- It is good for business to operate in cohesive and inclusive societies.

In 2022, TCC has continued to give back to our communities directly and indirectly through partnership with social and cultural partners to promote a holistic and inclusive sustainable transformation of livelihoods. Below are key activities implemented.

People With Disabilities:

- Supported DUCE with facilities to improve access to learning materials for disabled students (10 laptops, 10 voice recorders, brailer papers, cut sheet brailer papers, 10 tablets and 2 smart TVs)
- Capacity building to 20 disabled teachers on ICT in Dar Es salaam,
- Assistive Devices support to people with disabilities (200 white canes, 200 crutches, 35 tricycles and 1 improvised leg)

Economic Empowerment.

- 24 groups of elder youth and women supported to boost their income generating activities, in Dar Es salaam, Tanga, Iringa, Mwanza and Ruvuma
- 20 groups benefited the business ideas challenge in two district councils: Kondoa and Iramba

Scholarship Programs.

- Supported 25 certificate students (short course) at Bagamoyo college of Arts
- Supported 1 Master student in Japan

Natural environment.

- Supported city clean-up campaign in July dumped Safisha, Pendzesh Dar Es salaam, where over 450 factory glue drums were recycled to waste bins. Over 102 TCC staff volunteered in the clean-up activity
- Supported Temeke Municipal with cleaning facilities (50 wheelbarrows, 50 hard blooms and 50 rakes)

19. Related party transactions and balances

All related party transactions and balances are disclosed in Note 29 to these financial statements.

Report of the Directors for the year ended December 31, 2022 (Continued)

20. Performance for the year

The business delivered improved performance in 2022. Both domestic and export volumes grew by 10.2% and 21.3%, respectively. Overall, volume increased by 13.7%, reflecting the strength of our distribution model.

Gross revenue grew by 9.0% to TZS 340.6 billion (2021: TZS 312.9 billion) and gross profit was up by 11.1% to TZS 191.1 billion (2021: TZS 171.9 billion). Whilst net profit increased by 16.2% to TZS 69.2 billion (2021: TZS 59.6 billion), driven by volume growth, consumer focused, excise tax stability and significant operation cost efficiencies both factors have helped delivering short-term commitments while investing in our long-term future.

21. Tax compliance

The Company asserts that it was fully tax compliant in 2022. The Company understands its obligation to comply with the country's tax laws and thus always promotes high degree of tax compliance and pays all relevant taxes as specified by such tax laws to the Tanzania Revenue Authority.

22. Dividend

During the year, the Directors declared for 2021, a final ordinary gross dividend of TZS 30 billion or TZS 300 per share (2020: TZS 30 billion or TZS 300 per share). Later in the year, the Directors declared for 2022, an interim ordinary gross dividend of TZS 30 billion or TZS 300 per share which was paid in November 2022 (2021: TZS 25 billion or TZS 250 per share and special gross dividend of TZS 25 or TZS 250 per share).

After year-end, the Directors have proposed the declaration of a final ordinary gross dividend of TZS 37 billion or TZS 370 per share (2021: TZS 30 billion or TZS 300 per share). The final ordinary dividends are subject to adoption by shareholders at the Annual General Meeting.

The total gross dividend paid in the current year was TZS 60 billion or TZS 600 per share (2021: TZS 80 billion or TZS 800 per share).

23. Future development plans

The Company's goal is to grow its top and bottom line in a sustainable manner, while carefully managing both costs and risks. Focus will be placed on meeting the needs of adult consumers, building the equity of existing brands, expanding product offering, monitoring and improving the efficiency and effectiveness of route to market strategy; and enhancing the productivity of its people.

24. Resources

The Company's intangible assets include the equity of its brands, the quality of its products, highly motivated employees, and the strength of its extensive distribution network, in addition to the items that are indicated in the statement of financial position.

25. Solvency

The Company's solvency position is presented in the statement of financial positions on page 62. The Directors consider the Company to be solvent within the meaning ascribed by the Tanzania Companies Act of 2002.

26. Statement of compliance

The Report of the Directors has been prepared in compliance with the Tanzania Financial Reporting Standard No. 1 "TFRS 1" (The Report by Those Charged With Governance).

TFRS 1 is effective for annual periods beginning on or after 1 January 2021

Report of the Directors for the year ended December 31, 2022 (Continued)

27. Auditors

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

Ernst & Young

EY House

Plot No. 162/1, Mzinga way

14111 Oysterbay

P.O. Box 2475

Dar es Salaam, Tanzania

Tel: +255 22 292 4040 | Fax: +255 22 292 4034

Website: <http://www.ey.com>

Firms' registration Number: 151

TIN number: 100-149-222

The engagement partner who was in charge of the audit of the Company during the period has PF Number: FCPA 1227.

Appointment process

The process of appointing the Company's External Auditor is done in accordance with Section 170 and 174 of the Companies Act, 2002.

Appointment for 2023

Deloitte & Touché has been appointed as new auditor. A resolution proposing the appointment of Deloitte & Touché as auditor of the Company for the 2023 financial year will be tabled for shareholders' approval at the Annual General Meeting.

28. Responsibility of the auditor

The Auditor is responsible with 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.

29. Responsibility by those charged with governance

It is the responsibility of the directors to prepare financial statements of the Company which present a true and fair view in accordance with applicable standards, rules, regulations, and legal provisions.

This responsibility covers the period from the beginning of the financial year to the date that the directors approve the audited financial statements and covers all directors who acted in this capacity during any part of the period covered by the financial statements.

Approved and authorized for issue by the Board of Directors on March 24, 2023 and signed on its behalf by:



Mr. Paul Makanza
Chairman
March 24, 2023



Mr. Araki Takashi
Chief Executive Officer
March 24, 2023

Statement of Director's Responsibilities

The Companies Act, 2002 (the "Act") of Tanzania requires the Directors to prepare financial statements for each financial year that present fairly the state of affairs of the Company and its operating results for that year. The Act also requires the Directors to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation of financial statements that present fairly in all material respects the financial position and results of the Company in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The Directors are of the opinion that the financial statements present fairly the state of the financial affairs of the Company and of its profit in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 of Tanzania.

The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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



Mr. Paul Makanza
Chairman
March 24, 2023



Mr. Araki Takashi
Chief Executive Officer
March 24, 2023

Declaration by The Head of Finance

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with International Financial Reporting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as set out in the Statement of Directors' Responsibilities on an earlier page.

I, Thomas Hadorn, being the Finance Director of Tanzania Cigarette Public Limited Company hereby acknowledge my responsibility of ensuring that financial statements for the year ended December 31, 2022 have been prepared in compliance with International Financial Reporting Standards and statutory requirements.

I thus confirm that the financial statements comply with International Financial Reporting Standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.



Mr. Thomas Hadorn

Finance Director

NBAA Membership No.: TACPA 3845

March 24, 2023



Ernst & Young
EY House
Plot No. 162/1, Mzingo Way
14111 Oysterbay
P.O. Box 2475
Dar es Salaam, Tanzania

Tel: +255 22 2924040/41/42
Fax: +255 22 2924043
E-mail: info.tanzania@tz.ey.com
www.ey.com
TIN: 100-149-222
VRN: 10-007372-Z

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tanzania Cigarette Public Limited Company REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Tanzania Cigarette Public Limited Company (the "Company") set out on pages 61 to 108, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and the financial performance and cash flows of the Company for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

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

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



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tanzania Cigarette Public Limited Company REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

No.	Key audit matter	How our audit addressed the key audit matter
1.	Revenue recognition	
	<p>The Company focuses on earnings growth as one of the measures derived from expectations from the shareholders to earn dividend and maintaining the leading role in terms of market share. Furthermore, employees including management are being incentivized by achieving key performance. This may create an incentive for revenue to be recognized before the performance obligations have been fulfilled, resulting in a significant risk associated with revenue from an audit perspective.</p> <p>Due to the significant risk associated with revenue recognition and the work effort from the audit team, the recognition of revenue is considered to be a key audit matter.</p>	<p>Our audit procedures included but were not limited to:</p> <p>Evaluated the selection and application of accounting policies on revenue including assessing that the policies are in accordance with IFRS 15 Revenue from contracts with customers.</p> <p>Obtained an understanding of the revenue process from initiation to the point where revenue is recorded in the accounting system.</p> <p>Controls testing over the point of transfer of risks and rewards was supported by substantive audit procedures including, among others:</p> <ul style="list-style-type: none"> • Agreeing a sample of sales invoices to cash receipts from customers and/or proof of delivery documents. • Testing a sample of sales transactions around year end to ensure inclusion in the correct period; • Testing the provisions for credit notes, rebates and discounts by testing a sample of credit notes, rebates and discounts processed immediately preceding and post-year end; • Testing of manual journal entries around year end. <p>Checked for proper cut off by selecting transactions close to period end (before and after) as well as dispatch records to check that revenue is not recorded prior to the revenue recognition criteria being met.</p> <p>Performed data analysis procedures by comparing production, inventory and</p>



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tanzania Cigarette Public Limited Company REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Other Information

The Directors are responsible for the other information. The other information comprises the information included in Directors' Report, Statement of Directors' Responsibilities and the Declaration by the Head of Finance. The other information does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

Responsibilities of the Directors for the Financial Statements

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

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

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

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 skepticism throughout the audit. We also:



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tanzania Cigarette Public Limited Company REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Tanzania Cigarette Public Limited Company REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Auditor's Responsibilities for 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, 2002 of Tanzania and for no other purposes.

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

- We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- The Directors' Report is consistent with the financial statements.
- Information specified by law regarding directors' remuneration and transactions with the Company is disclosed; and
- The statements of financial position and statements of profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner on the audit resulting in this independent auditor's report is Neema Kiure (FCPA 1227)

Signed by: Dr. Neema Kiure (FCPA 1227)
On behalf of Ernst & Young
Certified Public Accountants
Dar es Salaam

Date: 20 APRIL 2023

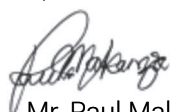
Statement of Profit or Loss and other Comprehensive Income for the year ended December 31, 2022

	Notes	2022 TZS M	2021 TZS M
Revenue	6(a)	340,604	312,855
Cost of sales	7	(149,763)	(140,907)
Gross profit		190,841	171,948
Selling, marketing and distribution expenses	8(a)	(39,127)	(39,891)
Administration expenses	8(b)	(45,455)	(48,030)
Other expenses		(4,564)	(3,367)
Decrease/(increase) in expected credit losses	21	80	(1,042)
Other income	9	6,627	7,312
Interest income	10	416	954
Interest expense	11	(2,054)	(1,549)
Profit before tax	12	106,764	86,335
Income tax expense	13 (a)	(37,558)	(26,780)
Profit for the year		69,205	59,555
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
- Defined benefit actuarial gain/(loss)	27	(2,562)	1,873
- Tax (expense)/credit relating to components of other comprehensive income	13(c)	769	(562)
		(1,793)	1,311
Total comprehensive income for the year		67,412	60,866
Earnings per share:			
Basic and diluted (TZS per share)	14	692	596

Statement of Financial Position as at December 31, 2022

	Note	2022 TZS M	2021 TZS M
Assets			
Non-current assets			
Property, plant and equipment	16	79,640	85,808
Right-of-use assets	17	318	727
Total non-current assets		79,958	86,535
Current assets			
Inventories	20	119,428	116,658
Trade and other receivables	21	56,457	42,928
Cash and cash equivalent	22	17,103	23,795
Total current assets		192,988	183,381
Non-current assets held for sale	19	-	257
Total assets		272,946	270,173
Equity and liabilities			
Capital and reserves			
Share capital	23	2,000	2,000
Defined benefit reserve		4,250	6,043
Retained earnings		153,953	144,748
Total equity		160,203	152,791
Non-current liabilities			
Deferred tax liability	24	1,801	4,419
Defined benefit obligation	27	17,184	12,536
Lease liability	28	24	76
Total non-current liabilities		19,009	17,031
Current liabilities			
Trade and other payables	25	70,727	68,655
Provisions	26	9,254	8,083
Lease liability	28	55	422
Inter-Company borrowing	32	12,048	20,763
Income tax liability	13(d)	1,650	2,428
Total current liabilities		93,734	100,351
Total liabilities		112,743	117,382
Total equity and liabilities		272,946	270,173

The financial statements on pages 61 to 108 were approved and authorized for issue by the Board of Directors on March 24, 2023 and were signed on its behalf by the following Directors:



Mr. Paul Makanza
Chairman



Mr. Araki, Takashi
Chief Executive Officer

Statement of Changes in Equity for the year ended December 31, 2022

	Notes	Share capital TZS M	Defined benefit reserve TZS M	Retained earnings TZS M	Total TZS M
At January 01, 2021		2,000	4,732	165,193	171,925
Profit for the year		-	-	59,555	59,555
Other comprehensive Loss		-	1,311	-	1,311
Dividend paid (2020 final and 2021 interim)	15	-	-	(80,000)	(80,000)
At December 31, 2021		2,000	6,043	144,748	152,791
At January 01, 2022		2,000	6,043	144,748	152,791
Profit for the year		-	-	69,205	69,205
Other comprehensive Income		-	(1,793)	-	(1,793)
Dividend paid (2021 final and 2022 interim)	15	-	-	(60,000)	(60,000)
At December 31, 2022		2,000	4,250	153,953	160,203

Statement of cash flows for the year ended December 31, 2022

	Notes	2022 TZS M	2021 TZS M
Cash flows from operating activities			
Profit before tax		106,764	86,335
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	16	14,293	13,707
Depreciation of right use-of-asset	17	421	438
Defined benefit expense	27	774	805
Foreign currency exchange gain/(loss)		169	(342)
Interest expense	11	2,054	1,549
Interest income	10	(416)	(954)
impairment of inventory		77	620
impairment of receivables		80	(1,034)
Gain on disposal of property, plant and equipment	9	(6,168)	(4,841)
Operating profit before working capital changes		118,048	96,283
<i>Working capital changes:</i>			
Increase in inventories		(2,847)	(4,577)
Increase in trade and other receivables		(13,609)	(6,398)
Increase/(decrease) in trade and other payables		2,071	(1,136)
Increase in provisions		1,171	125
Net cash generated from operations		104,834	84,297
Defined benefit paid	27	(219)	(600)
Interest received	10	416	954
Interest paid on collateral and intercompany borrowing	11	(513)	(33)
Loan interest paid	(32)	(561)	-
Current tax paid	13(d)	(40,185)	(25,859)
Net cash generated by operating activities		63,773	58,759
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(8,297)	(7,493)
Proceeds from disposal of property, plant and equipment		6,596	6,731
Net cash used in investing activities		(1,701)	(762)
Cash flows from financing activities			
Dividends paid	15	(60,000)	(80,000)
Inter-Company repayments	32	(27,177)	-
Inter-Company borrowing	32	19,023	20,763
Lease rentals paid	28	(439)	(446)
Net cash used in financing activities		(68,593)	(59,683)
Net (decrease)/increase in cash and cash equivalents		(6,522)	(1,686)
Net foreign exchange difference		(169)	342
Cash and cash equivalents at the beginning of the year		23,795	25,139
Cash and cash equivalents at the end of the year	22	17,103	23,795

Notes to the Financial Statements for the year ended December 31, 2022

1. General information

The financial statements of Tanzania Cigarette Public Limited Company for the year ended December 31, 2022 were authorised for issue in accordance with a resolution of the Directors on March 24, 2023.

Tanzania Cigarette Public Limited Company ('The Company') is a limited liability public company incorporated in the United Republic of Tanzania. The address of its registered office and principal place of business is disclosed in the corporate information on page 1 of this report. The principal activities of the Company are described in the Report of the Directors.

2. Adoption of new and revised International Financial Reporting Standards

a) *New standards and amendments to published standards effective for the year ended December 31, 2022*

The following were new and revised IFRSs that have been effective in the current year. The Company's application of the new and revised standards did not have significant impact on the disclosures or to amount reported in these financial statements.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The standard does not have an impact to the Company as they was no production of such items.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment does not have an impact to the entity as they do not have contracts of such nature during the year.

Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

b) *Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2022*

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an Company will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. The Directors do not anticipate that its adoption will result into material impact on the financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities' financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

The amendments to IAS 12 are effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendments to IAS 8 are effective for accounting periods beginning on or after 1 January 2023 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

Adoption of new and revised International Financial Reporting Standards (continued)

b) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendment clarifies how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale.

Amendments to IFRS 16 is effective for accounting periods beginning on or after 1 January 2024 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

c) Early adoption of standards

The Company did not early-adopt any new or revised standards in 2022.

3. Significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards.

For the Tanzanian Companies Act, 2002 reporting purposes, in these financial statements the balance sheet is represented by the statement of financial position and the profit and loss account is presented in the financial statements as statement of profit or loss and other comprehensive income.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments that are measured at revalued amounts or fair values as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are stated in Tanzanian Shillings (TZS), rounded to the nearest million.

The Company has an investment in TCC (Kenya) Limited, a wholly owned subsidiary, which is incorporated in Kenya under the Kenyan Companies Act.

The Company has determined that the investment is not material and has no impact on the reported profit or loss and its statement of financial position. The Group (Tanzania Cigarette Public Limited Company) and Company numbers are the same after taking into account the investment in the dormant subsidiary.

Revenue recognition

The Company derives its revenue from the sale of cigarettes to domestic and export customers.

Revenue is recognized based on the following five-step approach.

Step 1: Identify the contract with customer;

Step 2: Identify the performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligation in the contract;

Step 5: Recognize revenue when the entity satisfies a performance obligation

Revenue is recognized upon delivery of product because the customer obtains control of the product upon delivery by which the Company evaluates that the performance obligation is satisfied. Revenue is measured at the consideration promised in a contract with customer, less discounts, rebates, amounts collected on behalf of third parties and taxes. The excise taxes and other transaction in which the Company is involved as an agency are excluded from revenue. The amount after deducting the excise taxes and other transactions is presented as revenue in the statement of profit or loss and other comprehensive income.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

3. Significant accounting policies (continued)

Revenue recognition (continued)

Sale of cigarettes to domestic customers

Revenue for sales of goods to domestic customers is recognized when control of the goods has transferred, being at the point the customer purchases the goods. Payment of the transaction price is due immediately at the point the customer purchases the goods for cash customers and for credit customers based on the agreed credit periods with the Company as stipulated in the contracts.

Sales of cigarettes to export customers

Revenue from sales of goods to export customers is recognized when control of the goods has transferred, being when the goods have been shipped to the customer's specific delivery location.

A receivable is recognised by the Company when the goods are shipped to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Foreign currency translation

These financial statements are presented in Tanzania Shillings, which is also the functional currency of the Company. Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated using the closing rates. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on foreign currency borrowing.

Retirement benefits obligations

The voluntary agreement between management and the trade union created a defined benefit plan. The Company operates an unfunded and unvested defined benefit scheme for its employees. Provision is made in the financial statement for the estimated cost of the future benefits under the scheme. No employee contributions are made to the scheme. Payments to the scheme are recognized as an expense in profit or loss when employees have rendered service entitling them to the scheme with actuarial valuations being carried out at the end of each reporting period. Actuarial gains or losses are fully recognized in other comprehensive income. Past service costs are recognized immediately in profit or loss.

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for actuarial gains and losses. The present value of the defined benefit obligation is determined by discounting the estimated future cash out flows using various factors as described in the Note 27 of these financial statements.

The Company and its employees also make statutory contributions to the National Social Security Fund (NSSF). The Company's obligations with respect to contributions are 10% of the employees' emoluments. The Company's contributions with respect to these retirement benefits obligations are charged to the profit or loss in the period to which they relate.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

3. Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Corporate tax

The current corporate tax charge in profit or loss is based on statutory income tax rate of 30% applied on taxable profit for the year under review. The taxable profit is arrived at after taking into consideration relevant provisions of IAS 12 and the Income Tax Act of 2004 together with its subsequent amendments through the Finance Acts as enacted by the Parliament of United Republic of Tanzania.

Taxable profit differs from account profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in different accounting periods (temporary differences) and items that are never taxable or deductible (permanent differences). The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxation

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, the written down value. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available in future against which those deductible temporary differences can be utilized.

Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis

Current and deferred tax for the period under review

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

3. Significant accounting policies (continued)

Taxation (continued)

Value Added Tax (VAT)

The revenues, expenses and assets are recognized at amounts net of VAT. However, in the event that VAT incurred on a purchase of assets or services is not claimable as input VAT as provided in the VAT Act, 2014 together with its subsequent amendments and regulations, the VAT is recognized as part of cost of acquisition of the assets or part of the expense item as appropriate.

Any unpaid or uncollected amounts due to suppliers or due from customers are stated and reported as gross amounts including VAT.

The net (Output VAT less Input VAT) amount of VAT payable to Tanzania Revenue Authority at the year-end is included in trade and other payables.

Excise duty

The excise duty paid/payable to Tanzania Revenue Authority is determined by applying specific rates as provided in the Excise (Management and Tariff) Act, Cap 147 together with its subsequent amendments. The current specific excise duty rates which are applicable as at year end are as follows:

- Cigarettes without filter tip and containing domestic tobacco exceeding 75% is TZS 12,447 per 1,000 cigarettes (2021: TZS 12,447).
- Cigarettes with filter tip and containing domestic tobacco exceeding 75% is TZS 29,425 per 1,000 cigarettes (2021: TZS 29,425).
- Other cigarettes not mentioned in first and second bullet above is TZS 55,897 per 1,000 cigarettes (2021: TZS 55,897).

The amount of excise duty payable to Tanzania Revenue Authority at the year-end is included in trade and other payables.

Investment in Subsidiary Company

Investment in subsidiary is recognized at cost less any accumulated impairment losses.

Inventories

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition.

Inventories are stated at the lower of cost and net realizable value. Cost of raw materials and consumable stores are determined by the weighted average cost method. Cost of finished goods and work in progress are valued at direct raw material cost and include a portion of manufacturing overhead expenses, determined on a weighted average basis. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made where necessary for the obsolete, slow moving and defective inventories.

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

3. Significant accounting policies (continued)

Leases (continued)

The Company as lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise;

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company as lessee

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The right-of-use assets are depreciated on straight line basis over the tenor of leased asset. The useful lives for the right of use assets are 2,3 and 10 years.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

3. Significant accounting policies (continued)

Leases (continued)

The Company as lessee (continued)

lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Borrowing costs

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

- Interest expense calculated using the effective interest method as described in IFRS 9 Financial Instruments.
- Finance charges in respect of leases recognised in accordance with IFRS 16 ; and
- Exchange differences arising from foreign currency borrowings and other financing costs to the extent that they are regarded as an adjustment to interest costs.

The Company capitalises borrowing costs for all eligible assets.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated so as to write off the cost of property, plant and equipment on a straight-line basis, over the estimated useful life to the estimated residual value. Useful life, residual values and depreciation methods are reviewed on an annual basis with the effect of any changes in estimate accounted for on a prospective basis. Residual values are measured as the estimated amount currently receivable for an asset if the asset were already of the age and condition expected at the end of its useful life. Each significant component included in an item of property, plant and equipment is separately recorded and depreciated. Capital work in progress is not depreciated. The estimated useful life of assets at time of acquisition is assumed as follows:

	Years
Permanent buildings	50
Temporary buildings	3
Plant and machinery	5 - 20
Other equipment	3 - 10
Motor vehicles	4

Maintenance and repairs, which neither materially add to the value of the assets nor appreciably prolong their useful lives, are recognised as an expense in the period incurred. Minor plant and equipment items are also recognised as an expense during the period incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Profits or losses on the retirement or disposal of property, plant and equipment, determined as the difference between the actual proceeds and the carrying amount of the assets, are recognised in profit or loss in the period in which they occur. The date of disposal is determined as the date on which the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the proceeds on the sale can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

3. Significant accounting policies (continued)

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the asset, from the date that it is available for use. The estimated useful life and amortisation method are reviewed at the end of each financial year with any changes being accounted for on prospective basis.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognised. The estimated useful life from year of acquisition is estimated to be 10 (ten) years.

Impairment of tangible and intangible assets

Assets that have an indefinite useful life and intangible assets not available for use are tested annually for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognized as an expense in profit or loss immediately. The recoverable amount of an asset is the higher of the asset's fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The value in use of an asset represents the expected future cash flows from continuing use and disposal that are discounted to their present value using an appropriate pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The impairment loss is allocated to reduce the carrying amount of the assets of the cash-generating unit, first to goodwill in respect of the cash generating unit, if any, and then to the other assets on a pro-rata basis based on their carrying amounts. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase. No goodwill impairment losses are reversed.

After the recognition of an impairment loss, any depreciation or amortization charge for the asset is adjusted for future periods to allocate the asset's revised carrying amount, less its estimated residual value, on a systematic basis over its remaining useful life.

Non-current assets held-for-sale

An asset or asset group for which the value is expected to be recovered through a sales transaction rather than through continuing use is classified into a non-current asset or disposal asset held-for-sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and the Company management commits to the sale plan. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount or its fair value less costs of disposal.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

3. Significant accounting policies (continued)

Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised 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.

ii) Subsequent measurement

Financial assets are classified into the following specified categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (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.

The Company's principal financial assets are trade and other receivables and cash and cash equivalents.

Financial assets are recognised and derecognised on trade-date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

All financial assets are initially measured at amortised cost or fair value, depending on the classification of financial assets

iii) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Financial assets at amortised cost 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.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

iii) Amortised cost and effective interest method (continued)

Trade and other receivables

Trade and other receivables are stated at invoice amounts less provision for impairment. A provision for impairment is established using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade and other receivables.

Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include cash on hand, in banks and investments in money market instruments and duly reconciled to the related items in the statement of financial position.

iv) Impairment of Financial Assets

With respect to financial assets measured at amortized cost, the Company recognizes an allowance for doubtful accounts for expected credit losses (ECLs). The expected credit losses are calculated based on historical loss experience or future recoverable amounts.

An allowance for doubtful accounts for trade receivables is always recognized in an amount equal to the full lifetime expected credit losses. In principle, with respect to financial assets except for trade receivables, an allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit losses. However, the allowance for doubtful accounts is measured at an amount equal to the full lifetime expected credit losses if a credit risk on the financial asset has increased significantly since initial recognition.

The Company assesses whether a credit risk on a financial asset has increased significantly based on a change of the default risk considering past due information, financial difficulties of obligors or downgrades of the internal credit rating. The Company assesses a whole or part of the financial asset which is deemed extremely difficult to be collected as a default and recognizes it as a credit-impaired financial asset. If the Company reasonably determines that a whole or part of the financial asset is uncollectible, the carrying amounts of financial assets are written-off directly.

An allowance for doubtful accounts for financial assets is recognized in profit or loss. If an event which causes a reduction in the allowance for doubtful accounts occurs, a reversal of an allowance for doubtful accounts is recognized in profit or loss.

v) De-recognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities

i) Initial Recognition and measurement

Financial liabilities are classified into financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. The Company determines the classification at initial recognition.

All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at cost after deducting transaction costs that are directly attributable to the financial liabilities. The Company's financial liabilities include trade and other payables.

ii) Subsequent measurement

After initial recognition, financial liabilities are measured based on the following classifications:

Financial liabilities at Measured at Fair Value through Profit or Loss (FVTPL)

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as measured at fair value through profit or loss at initial recognition.

Financial liabilities measured subsequently at amortised cost

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization under the effective interest method and gains or losses on derecognition are recognized as profit or loss in the consolidated statement of income. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount of an allowance for doubtful accounts calculated in accordance with "Impairment of Financial Assets" above, and
- The amount initially measured less cumulative revenue recognized in accordance with IFRS 15 "Revenue from Contracts with Customers".

De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognised and the consideration paid and payable is recognised in profit or loss.

Offset

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

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

4. Critical accounting judgements and key sources of estimation uncertainties

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. These estimates are based on management's best knowledge of current events and actions they may undertake in the future, but the actual results may ultimately differ from those estimates. The estimates and underlying assumptions are regularly reviewed and revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas of critical judgements and key sources of estimation uncertainty are as set out below:

Provisions for pending litigations

The Company is currently involved in various legal cases. Management regularly reviews the status of these cases and, in consultation with legal counsel, estimates the probable liabilities that could be incurred in the event that the Company loses the cases. In determining whether to process the provisions in the financial statements, management critically evaluates the probability of losing these cases and only makes provision for the cases in which it is probable that future outflow of resources will be required to settle the obligations.

Impairment provision

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for the customers. 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 forecast economic conditions (i.e., inflation) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast 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 customer's actual default in the future.

When measuring expected credit losses, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Taxation

The Company is subjected to numerous taxes and levies by various government and quasi-government regulatory bodies. Generally, the Company recognises liabilities with regard to anticipated taxes and levies payable with utmost care and diligence. However, significant judgement is required in the interpretation and application of those taxes and levies. In the event that management assesses that the initially recorded liability was erroneous, the differences are charged to the profit and loss account in the period in which the differences are determined.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

4. Critical accounting judgements and key sources of estimation uncertainties (continued)

Asset useful lives

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

Refer to notes 16 and 17 for the carrying amount of property, plant and equipment and right of use of an asset.

Defined benefit plan

The Company operates an unfunded defined benefit retirement plan for all employees. Employees do not contribute to the plan the Company bears all cost. A provision is made in the financial statements for the estimated cost of the future benefits. The accuracy and completeness of such provisions is confirmed periodically by an independent actuarial valuation. Refer to Note 27 of the financial statements for uncertainty and sensitivity disclosure.

5. Operating segments

IFRS 8 requires an entity to report financial and descriptive information about its reportable segments. The Company has two operating segments namely domestic and export markets. The domestic market has reported revenue from both external customers and intersegment sales or transfers, of 90percent (2021: 91 percent) of the combined revenue of all operating segments, thus qualifying as reportable segment.

The chief operating decision maker (Chief Executive Officer) monitors the operating results of business segments separately for the purpose of performance assessment and decision making on resource allocation. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The domestic market segment is carrying on the business of manufacturing and selling of cigarettes in Tanzania. Brands sold in domestic market include Camel, Winston, Club, Embassy, Portsman, Sweet Menthol, Safari and Crescent & Star.

Export markets include Democratic Republic of Congo, Mozambique and Southern Africa. The export brands include Camel, Winston, Aspen, Monte Carlo and LD. Export markets reported revenue of 11 percent of the combined revenue (2021:9 percent).

Information about transactions with major customers

Below is the revenue from top ten domestic customers, the amounts are disclosed exclusive of VAT.

	2022 TZS M	2021 TZS M
Revenue from top ten customers	<u>106,764</u>	<u>88,412</u>

The domestic segment has about 1000 active customers.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

5. Operating segments (continued)

Segment revenues and results

The following is an analysis of the Company's revenue and results from operations by reportable segment.

	Segment revenue		Segment gross profit	
	2022 TZS M	2021 TZS M	2022 TZS M	2021 TZS M
Domestic Market	287,883	270,274	183,964	170,316
Export Market	52,721	42,581	6,877	1,632
	<u>340,604</u>	<u>312,855</u>	<u>190,841</u>	<u>171,948</u>
Marketing, selling & distribution expenses:				
- Export market			(12,573)	(6,860)
- Domestic market			(26,554)	(33,031)
Administration expenses			(45,455)	(48,030)
Other expenses			(4,564)	(3,367)
Expected credit gain/(losses)			80	(1,042)
Other gains			6,627	7,312
Interest income			416	954
Interest expense			(2,054)	(1,549)
Profit before tax			106,764	86,335

The following is an analysis of the operating segment revenue by brands, inclusive of excise duty from its major products in domestic market.

	Domestic revenue		Export revenue	
	2022 TZS M	2021 TZS M	2022 TZS M	2021 TZS M
Embassy	49,416	43,405	-	-
Club	25,516	37,815	641	1,252
Portsman	39,332	40,758	15,177	18,683
Sweet Menthol	23,786	26,542	-	-
Winston	280,751	241,991	-	-
Others	31,866	27,881	7,754	1,048
Monte Carlo	-	-	27,917	19,934
LD	-	-	1,232	1,664
	<u>450,666</u>	<u>418,392</u>	<u>52,721</u>	<u>42,581</u>

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

5. Operating segments (continued)

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to domestic and export market.

	2022 TZS M	2021 TZS M
Segment assets		
Property, plant and equipment	79,640	85,808
Right-of-use assets	318	727
Total segment non-current assets	79,958	86,535
Inventories	119,428	116,658
Trade and other receivables	56,457	42,928
Non-current asset held -for-sale	-	257
Cash and cash equivalents	17,103	23,795
Total segment current assets	192,988	183,638
Total assets	272,946	270,173
Segment liabilities		
Deferred tax liability	1,801	4,419
Defined benefit obligation	17,184	12,536
Lease liabilities	24	76
Total segment non-current liabilities	19,009	17,031
Trade and other payables	70,727	68,655
Provisions	9,254	8,083
Lease liabilities	55	422
Inter-Company Borrowing	12,048	20,763
Income tax liability	1,650	2,428
Total segment current liabilities	93,734	100,351
Total liabilities	112,743	117,382

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

5. Operating segments (continued)

Other segment information

	Depreciation and amortization		Additions to non-current assets	
	2022 TZS M	2021 TZS M	2022 TZS M	2021 TZS M
Building	1,442	1,392	208	539
Plant and machinery	9,000	8,956	1,941	1,353
Other equipment	1,454	1,224	710	1,446
Motor vehicles	2,397	2,135	2,512	2,223
Capital work in progress	-	-	2,928	1,932
Total	14,293	13,707	8,299	7,493

6. Revenue from contract with customers

(a) Revenue

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

	2022 TZS M	2021 TZS M
Types of goods or services		
Sale of cigarettes- Domestic Market	287,883	270,274
Sale of cigarettes- Export Market	52,721	42,581
Total revenue from contracts with customers	340,604	312,855

The performance obligation relating to sale of cigarette is satisfied upon delivery of cigarette and payment is generally due within 7 days from delivery. For export customers, control of the goods passes to the customer when the delivery truck crosses the boarder and payment is due within 60 to 90 days from delivery.

7. Cost of sales

	2022 TZS M	2021 TZS M
Direct costs	100,231	89,479
Depreciation on property and plant	10,281	9,816
Stock adjustments	1,361	3,001
Production and price variance	8,739	9,350
Overheads	29,151	28,824
	149,763	140,907

Included under direct cost are the cost incurred on raw materials while on overheads it includes cost apportionment on fuel, electricity, maintenance, distribution, employees' benefits, management and technical cost and other production expenses.

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

8. Selling, Marketing and Distributions expenses/Administrative expenses

(a) Selling, Marketing and Distributions expenses

	2022 TZS M	2021 TZS M
Advertising and promotion cost	4,946	2,830
Depreciation and amortization	2,154	1,890
Employee's benefits expense*	20,235	23,499
Operating expenses	3,584	2,208
Operating lease rental	83	405
Transport and vehicle running cost	4,223	2,840
Research and development costs	3,895	5,436
Managerial, technical and administrative	7	783
	39,127	39,891

* Employee benefit expenses includes service cost and interest cost relating to the retirement obligation

(b) Administrative expenses

	2022 TZS M	2021 TZS M
Depreciation and amortization	2,279	2,001
Employee's benefits expense	22,865	20,757
Managerial, technical and administrative	625	18,810
Operating expenses	17,112	5,496
Operating lease rental	244	46
Transport and vehicle running cost	1,358	282
Communication	468	450
Auditors 'remuneration-audit service	175	188
	45,455	48,030

9. Other income

	2022 TZS M	2021 TZS M
Sundry income *	459	662
Gain from pension release	-	1,809
Gain on sale of property, plant, and equipment	6,168	4,841
	6,627	7,312

* Sundry income includes income from sale of rejected boxes and scrap metal.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

10. Interest income

Interest income on bank deposits

2022 TZS M	2021 TZS M
416	954
416	954

11. Interest Expenses

Interest expense defined benefit pension

Interest on lease liability

Interest expense on collateral & intercompany borrowing

2022 TZS M	2021 TZS M
1,531	1,504
10	12
513	33
2,054	1,549

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

12. Profit before tax

Profit before tax has been arrived at after charging/(crediting) the following:

	2022 TZS M	2021 TZS M
Key management and Directors' emoluments	4,175	4,457
Depreciation of property, plant and equipment	14,293	13,707
Depreciation of right use-of-asset	421	437
Technical and management service fees	14,132	17,635
Auditor's remuneration	183	183
Donations	354	292
Insurance proceeds	(121)	(121)
Gain on disposal of property, plant and equipment	(6, 168)	(4,841)
Foreign exchange loss	1,362	908
Employee benefits:		
<i>Short term benefits:</i>		
- Salaries	29,954	29,428
- Bonus	8,637	7,672
- Fringe benefits	4,789	4,700
- Vacation benefits	2,340	1,945
- Other staff costs	395	192
<i>Long term benefits:</i>		
- Defined benefit expense	2,304	2,310
- NSSF and PSSSF contributions	2,601	1,713
<i>Other statutory contributions:</i>		
- Skills and Development Levy (SDL)	1,525	1,392
- Workers Compensation Fund (WCF)	155	193
Total employee benefits	52,700	49,545

Of the total depreciation expense for the year, TZS.10,281 million (2021: TZS 10,253 million) has been included in cost of sales. Part of employee benefit, and technical and management service fees are also charged to cost of sales

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

13. Income tax

(a) Income tax expense

	2022 TZS M	2021 TZS M
Income tax – current year	34,190	27,524
Income tax – prior year	5,218	1,301
	39,408	28,825
Deferred taxation - current year credit (note 23)	(1,532)	(1,192)
- prior year under/(over) provision	(318)	(853)
	(1,850)	(2,045)
	37,558	26,780

Tax expense represents the sum of current tax and deferred tax.

(b) Reconciliation of accounting profit to income tax expense

	2022 TZS M	2021 TZS M
Profit before tax	106,763	86,335
Tax charge at 30%	32,029	25,901
Income not subject to tax	-	(19)
Effect of disallowable expenditure	631	451
Current tax relating to prior years	5,217	1,301
Prior years (under)/over provision of deferred tax	(318)	(854)
Income tax expense	37,558	26,780

(c) Tax expense/(credit) on other comprehensive income

Deferred tax expense/(credit) - Defined benefit plan actuarial gain/(loss)	(769)	562
--	-------	-----

(d) Income tax liability

At beginning of the year	2,428	(540)
Charge for the year (Note 12(a))	39,408	28,827
Current tax paid	(40,186)	(25,859)
Balance at end of year	1,650	2,428

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

14. Earnings per share

The earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders for the year by the weighted average number of ordinary shares in issue during the year.

	2022 TZS M	2021 TZS M
Profit for the year attributable to ordinary shareholders (TZS M)	69,206	59,555
Weighted average number of ordinary shares in issue (million)	100	100
Earnings per share (TZS)	692	596

There were no potential dilutive shares outstanding at December 31, 2022 and at December 31, 2021.

15. Dividends

Prior year final dividend	30,000	30,000
Current year interim dividend	30,000	50,000
Total	60,000	80,000
Number of ordinary shares in issue (million)	100	100
Dividend per share (TZS)	600	800

During the year, the Directors declared for 2021, a final ordinary gross dividend of TZS 30 billion or TZS 300 per share (2020: TZS 30 billion or TZS 300 per share). Later in the year, the Directors declared for 2022, an interim ordinary gross dividend of TZS 30 billion or TZS 300 per share, which was paid in November 2022 (2021: TZS 25 billion or TZS 250 per share and a special gross dividend of TZS 25 or TZS 250 per share).

The Directors propose a final ordinary gross dividend of TZS 37 billion or TZS 370 per share (2021: TZS 30 billion or TZS 300 per share). The final ordinary dividend is subject to adoption by shareholders at the Annual General Meeting.

The total gross dividend paid in the current year was TZS 60 billion or TZS 600 per share (2021: TZS 80 billion or TZS 800 per share).

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

16. Property, plant and equipment

	Buildings	Plant and machinery	Other equipment	Motor vehicles	Capital work in progress	Total
	TZS M	TZS M	TZS M	TZS M	TZS M	TZS M
Cost						
At January 1, 2021	44,476	140,177	14,283	13,598	3,394	216,528
Additions	539	1,353	1,446	2,223	1,932	7,493
Transfers from WIP	884	2,583	55	-	(3,522)	-
Disposals	(34)	(4,545)	(966)	(2,302)	-	(7,847)
At December 31, 2021	45,865	139,568	14,818	13,519	2,389	216,159
Additions	208	1,941	710	2,510	2,928	8,297
Transfers from WIP	155	1,713	36	1,461	(3,365)	-
Disposals	(429)	(1,128)	(73)	(2,031)	-	(3,661)
At December 31, 2022	45,799	142,094	15,491	15,459	1,952	220,795
Accumulated depreciation						
At January 1, 2021	14,759	89,481	10,775	7,957	-	122,972
Charge for the year	1,392	8,956	1,224	2,135	-	13,707
Disposals	(21)	(3,140)	(958)	(2,208)	-	(6,327)
At December 31, 2021	16,130	95,297	11,041	7,884	-	130,352
Charge for the year	1,442	9,001	1,455	2,395	-	14,293
Disposals	(433)	(1,095)	(69)	(1,894)	-	(3,491)
At December 31, 2022	17,139	103,203	12,427	8,386	-	141,155
Net book value						
At December 31, 2022	28,613	38,891	3,085	7,075	1,976	79,640
At December 31, 2021	29,716	44,271	3,798	5,634	2,389	85,808

Capital work in progress relates to the cost of various capital expenditure items which were under construction or were not received at year end.

Included in property, plant and equipment are assets with an original cost of TZS 7,542 million (2021: TZS 2,809 million) which are fully depreciated as of the reporting date whose normal depreciation charge for the year was TZS 630 million (2021: TZS.313 million). Depreciation of TZS 10,053 (2021:TZS 10,243) was included under cost of sales as direct cost. There were no idle assets included in property, plant, and equipment.

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

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

17. Right-of-use assets

The Company has lease contracts for office space and residential houses with lease terms of between 1 and 6 years. These lease arrangements have been accounted for in accordance with IFRS 16. The lease contracts include extension and termination options.

	2022 TZS M	2021 TZS M
Cost		
At January 1	1,581	994
Derecognition	(472)	-
Additions	12	587
At December 31	1121	1,581
Accumulated depreciation		
At January 1	854	417
Derecognition	(472)	-
Charge for the year	421	438
At December 31	803	854
Net book value	318	727

Under derecognition are the cancelled and expired leases during the year. The maturity analysis of lease liabilities is disclosed in Note 28

18. Intangible assets

	2022 TZS M	2021 TZS M
Cost	2,646	2,646
Accumulated amortization		
At January 1	2,646	2,646
Charge for the year	-	-
At December 31	2,646	2,646
Net book value	-	-

The intangible assets relate to acquired cigarette trademarks. The estimated useful life from year of acquisition was estimated at 10 (ten) years. There are no intangible assets resulting from internal developments or business combinations.

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

19. Non-current assets held-for-sale

	2022 TZS M	2021 TZS M
Non-current asset held-for-sale	-	257
Below is the movement of asset held for sale		
	2022 TZS M	2021 TZS M
As January 1	257	615
Classification during the year (Note 16)	-	-
Disposed during the year	(257)	(358)
At December 31	-	257

In 2021 the Company Directors resolved to dispose a building located in Masaki Dar, es Salaam that was not in use. The building, which was expected to be sold within 12 months, was classified as non-current asset held for sale and presented in the statement of financial position. The proceeds of disposal were expected to substantially exceed the carrying amount of the related net assets and no impairment losses was recognised on the classification of the assets as held for sale.

As at reporting date the asset held for sale was disposed with proceed exceeding the carrying amount of the related asset. The gain was reported in the statement of comprehensive income.

20. Inventories

	2022 TZS M	2021 TZS M
Raw materials	71,135	79,566
Work in progress	514	317
Consumable stores	6,567	6,044
Goods in transit	3,008	263
Finished goods	40,185	32,372
	121,409	118,562
Allowance for obsolete inventories	(1,981)	(1,904)
	119,428	116,658

The cost of inventory recognised as an expense and included in 'cost of sale' in the Company profit or loss and other comprehensive income amounted to TZS 97,347 million (2021: TZS 144,085 million).

No inventory has been pledged as collateral for liabilities.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

21. Trade and other receivables

	2022 TZS M	2021 TZS M
Trade receivables	6,133	12,275
Amounts due from related companies (Note 29(iv))	38,328	19,841
Prepayments and other receivables	13,536	12,431
	57,997	44,547
Expected credit loss on trade receivables	(1,540)	(1,619)
	56,457	42,928

Trade receivables are non-interest bearing and are generally on terms of 9 days domestic sales and 90 days for export. For related parties' transaction is disclosed under Note 29 (iv).

Movement in the allowance for expected credit losses on trade receivables:

	2022 TZS M	2021 TZS M
At January 1	1,619	585
Recoveries	(1,492)	(133)
Increase in allowance	1,413	1,175
Write off	-	(8)
At December 31	1,540	1,619

22. Cash and cash equivalent

	2022 TZS M	2021 TZS M
Bank balances	17,103	23,795

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

23. Share capital

Authorized:

125,000,000 Ordinary shares of TZS 20 each

2,500

2,500

Issued and fully paid:

100,000,000 Ordinary shares of TZS 20 each

2,000

2,000

There were no movements in the share capital of the Company during the year. The Company has one class of ordinary shares, which carries no fixed right to income. The ownership structure of the Company is as set out below:

	2022 Ordinary Shares Million in %	2021 Ordinary Shares Million in %
Resident shareholders:		
General public	6.2	6.0
Public Service Social Security Fund	4.7	4.7
The United Republic of Tanzania	2.2	2.2
Umoja Unit Trust Scheme	2.2	2.2
TCCIA investment Company Limited	0.3	0.3
Sayed H. Kadri&/or Basharat Kadri&/or Mehboob&/or Khalid &/or	0.2	0.2
African Lions fund Ltd	0.2	-
Alliance Insurance Corporation Ltd	0.1	0.1
	16.1	15.7
Non-resident shareholders:		
JT International Holding B.V*-Holding Company	75	75
Kingsway Fund	8.6	8.8
Allan Gray Africa EX-SA Equity Fund Limited	0.3	0.3
Neon Liberty Emerging Markets Fund LP	-	0.2
	83.9	84.3
Total ordinary shares in issue	100	100.0

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

24. Deferred tax liability

Deferred taxes are calculated on all temporary differences under the liability method, using the enacted tax rate of 30%.

The net deferred tax liability is attributable to the following:

	2022 TZS M	2021 TZS M
Accelerated capital allowances	10,266	11,346
Provisions	(3,440)	(3,167)
Defined benefit obligation provision	(5,025)	(3,760)
	1,801	4,419

The movement on the deferred tax account is as follows:

2022:

	Opening balance TZS M	Recognized in P&L TZS M	Recognized in OCI TZS M	Closing balance TZS M
Deferred tax liabilities/(assets) in relation to:				
- Property, plant and equipment	11,346	(1,080)	-	10,266
- Provisions and other temporary differences	(3,167)	(273)	-	(3,440)
- Defined benefit obligation	(3,760)	(496)	(769)	(5,025)
	4,419	(1,849)	(769)	1,801

2021:

	Opening balance TZS M	Recognized in P&L TZS M	Recognized in OCI TZS M	Closing balance TZS M
Deferred tax liabilities/(assets) in relation to:				
- Property, plant and equipment	12,299	(952)	-	11,347
- Provisions and other temporary differences	(2,585)	(582)	-	(3,167)
- Defined benefit obligation	(3,810)	(513)	562	(3,761)
	5,904	(2,047)	562	4,419

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

25. Trade and other payables

	2022 TZS M	2021 TZS M
Trade payables	12,328	21,559
Amounts due to related companies (Note 29(iii))	20,054	5,810
Excise duty and VAT payable	5,456	10,753
Other duties and taxes payable	8,071	9,625
Customer deposits	3,747	3,258
Trade allowance payable	1,484	1,991
Restructuring liability**	693	931
Dividends payable	2,840	2,605
Other liabilities and accruals*	16,054	12,123
	70,727	68,655

* Other liabilities and accruals includes contributions payable to National Social Security Fund and accruals for goods and services received at year end but not invoiced.

** Restructuring liability relates to cost of retrenching staff and transferring finance activities to Global Business Service (GBS) so as to enhance efficiency and effectiveness on business process.

26. Provisions

	2022 TZS M	2021 TZS M
Bonus provision	7,263	6,472
Litigation	1,301	1,179
Provision for leave pay	690	432
	9,254	8,083

2022:

	Opening balance TZS M	Utilized/ reversed TZS M	Raised TZS M	Closing balance TZS M
Bonus provision	6,472	(6,472)	7,263	7,263
Litigation	1,179	(255)	377	1,301
Provision for leave pay	432	(432)	690	690
	8,083	(7,159)	8,330	9,254

2021:

	Opening balance TZS M	Utilized/ reversed TZS M	Raised TZS M	Closing balance TZS M
Bonus provision	4,579	(4,579)	6,472	6,472
Pension one of accrual	2,719	(2,719)	-	-
Litigation	259	(29)	949	1,179
Provision for leave pay	401	(401)	432	432
	7,958	(7,728)	7,853	8,083

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

26. Provisions (continued)

Employees are entitled for annual bonuses which are performance based. The company recognizes a liability and an expense for bonuses, based on a formula that takes into consideration individual's achievement on the pre- agreed annual targets. The Company recognised a provision of TZS.7,263 million (2021: TZS 6,468 million). Expected payment is between January to March the following year.

As at December 31, 2022, the Company had appending legal cases whereby the Company were defendants and outstanding disputes for which the directors have considered it probable that the outcome will be unfavorable to the Company and could results into an estimated loss. Based on advice from management, a provision is in place for these cases amounting to TZS.1,301 million (2021: TZS 1,179 million).

According to the nature of such disputes the timing of settlement is uncertain. Contingent liabilities relating to litigation and other claims have been disclosed in Note 31.

27. Defined benefit obligation

Statutory retirement benefits

The Company has an obligation to make statutory contributions for retirement benefits of its employees. All eligible employees of the Company are members of the National Social Security Fund (NSSF), which is defined contribution plan. This plan is prescribed by law. All employees must be a member of National Social Security Fund (NSSF). The Company and employees both contribute 10% of the employees' gross salaries to the NSSF. The Company's contributions are charged to the profit or loss when incurred. During the year ended December 31, 2022, the Company's contributions to the funds amounted to TZS 2,601 million (2021: TZS 1,713 million).

Defined benefit obligation

The Company operates an unfunded defined benefit plan for qualifying employees. Under the plan, the employees are entitled to retirement benefits of one-month salary for every year of continuous service for 1 to 9 years and an additional 10% for every additional year of continuous service beyond 9 years.

The Company provides for retirement benefit cost based on assessments made by independent actuaries. The most recent actuarial valuation was carried out at December 31, 2022 by Towers Watson, Fellow of the Institute and Faculty of Actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2022 Percentage	2021 Percentage
Discount rate	9.7	11.7
Salary inflation	4.1	6.5
Cost of living increase	7.1	3.5

	2022 TZS M	2021 TZS M
Amount recognized in statement of profit or loss and other comprehensive income in respect of this defined benefit obligation:		
- Current service cost	774	805
- Past service cost	1,530	-
- Interest cost	2,562	1,504
- Actuarial (gain)/loss recognized in other comprehensive income		(1,873)
Net charge for the year	4,866	436

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

27. Defined benefit obligation (continued)

The movement in the Company retirement benefit obligation was as follows: -

	2022 TZS M	2021 TZS M
Opening defined benefit obligation	12,537	12,700
Current service cost	774	805
Past service cost	-	-
Interest cost	1,530	1,504
Actuarial loss/(gain) recognized	2,562	(1,873)
Benefits paid	(219)	(600)
Closing defined benefit obligation	17,184	12,536
Sensitivities		
Salary rate sensitivity	Central Scenario	0.5% Increase
	0.5% Decrease	
	7.10% TZS M	7.60% TZS M
	6.60% TZS M	
Defined benefit obligation	17,181	18,095
Gross service costs excluding interest	1,178	1,264
Expense / net interest cost	1,693	1,790
% change in defined benefit obligation	5.32%	-4.76%
% change in gross service costs	7.30%	-6.82%
% change in expense / net interest cost	5.73%	-5.14%
Discount rate sensitivity	Central Scenario	0.5% Increase
	0.5% Decrease	
	9.70% TZS M	10.20% TZS M
	9.20% TZS M	
Defined benefit obligation	17,181	16,367
Gross service costs excluding interest	1,178	1,099
Expense / net interest cost	1,693	1,689
% change in defined benefit obligation	-4.74%	5.32%
% change in gross service costs	-6.74%	7.30%
% change in expense / net interest cost	-0.23%	0.28%

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

28. Lease liability

Liabilities arising from a lease are initially measured on a present value basis of contractual payments associated with lease contract. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Maturity analysis:

Due within 1 year
Due in more than 1 year and no later than 2 years
Due in more than 2 years

Less: Discount (unearned interest)

Movement analysis:

Balance as at 1 January
Additions
Derecognition
Interest expense
Lease rentals paid

At 31 December

	2022 TZS M	2021 TZS M
	55	423
	15	58
	10	28
	80	509
	-1	(11)
	79	498
	498	345
	448	587
	-438	-
	10	12
	-439	(446)
	79	498

Classification:

Current
Non-current
Additions

	2022 TZS M	2021 TZS M
	55	422
	24	76
	79	498

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

29. Related party transactions and balances

Related companies

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Company transacts with the ultimate holding Company and other companies related to it by virtue of common shareholding.

During the year, the following transactions were entered into with related parties:

Contracts with related parties

The Company has agreements with JT International SA and JT International Holding B.V. for provision of managerial, technical and administrative services since January 1, 2008. Amounts payable under these agreements are included under purchase of goods and services below. The charge for the year is TZS 14,132 million (2021: TZS 17,635 million).

Other transactions with related parties

i. Purchase and sales of goods and services

Purchases from related parties

	2022 TZS M	2021 TZS M
JTI Leaf Services Limited*	11,417	3,899
JT International Holding B.V.**	13,255	13,031
JT International SA*	18,718	15,424
JT International Germany GmbH*	773	-
JTI Tutun Urunleri Sanayi A.S. *	22	39
PJSC "JT International Ukraine"*	41	295
JTI Services Switzerland SA*	4,488	3,687
JT International South Africa (Pty) Limited*	328	6,222
Japan Tobacco Inc.	34	-
JTI GBS Poland Sp. z o.o.*	590	133
JTI Leaf Zambia Limited*	1,372	9
	51,038	42,739

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

29. Related party transactions and balances (continued)

	2022 TZS M	2021 TZS M
<i>i) Sales to related parties</i>		
JT International SA*	2,050	2,659
JTI Cigarette*	2,789	25
Etoile Du Congo SAU*	45,193	18,956
JTI Leaf services	1,906	-
JTI Tutun Urunleri Sanayi A.S.*	3,687	-
Habanera Limited*	55	-
	53,680	21,640
<i>ii) Inter-company borrowing</i>		
JT International Holding B.V.***(inter-company borrowing)	18,635	20,763
<i>iii) Related party balances</i>		
	2022 TZS M	2021 TZS M
Payables to related parties (Note 25)		
JTI Leaf Services Ltd*	2,098	4
JT International S.A*	9,570	726
JTI Tutun Urunleri Sanayi A.S. *	23	21
JTI Leaf Zambia Limited*	230	-
JTI GBS Poland Sp. z o.o.*	5,823	57
JT International Holding B.V.**	164	4,314
Others		688
	20,054	5,810
<i>iv) Receivable from related parties (Note 21)</i>		
Etoile Du Congo SAU*	34,635	19,004
TI Cigarette / 13311 Khartoum North*	3,536	332
Others	157	454
LLC Petro (1177)*	-	9
JTI (Jordan) Manufacturing Ltd. Co.*	-	42
	38,328	19,841

*Sister companies

** Holding companies

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognized in the year for bad and doubtful debts in respect of the amounts owed by related parties.

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

29. Related party transactions and balances (continued)

iii. Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all Directors.

The Company does not have the following schemes for its key management personnel.

- Post-employment benefits
- Other longer-term benefits
- Termination benefits

The remuneration of Directors and other key members of management during the year were as follows:

	2022 TZS M	2021 TZS M
Key management remuneration	4,105	4,416
Non-executive Director's emoluments	70	41
	<u>4,175</u>	<u>4,457</u>

The cost of remuneration has been recognised under operating expenses in the statement of comprehensive income.

30. Commitments

i. Capital commitments

	2022 TZS M	2021 TZS M
Authorized but not contracted for	203	714
Authorized and contracted for	2,683	5,849
	<u>2,885</u>	<u>6,563</u>

The capital commitments relate to purchase of properties, plant and equipment to enhance safety, production capacity, operational efficiency and product quality as well as improvement of the distribution fleet and employee welfare.

ii. Other commitments

As at December 31, 2022, the Company had a commitment for purchase of leaf tobacco totaling TZS 17,321 million (2021: TZS 3,829 million).

31. Contingent liabilities

The Company is currently involved in several lawsuits. However, in the opinion of the Directors, they do not expect the outcome of the pending litigations to have material effect on the Company financial performance.

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

32. Bank overdraft, Inter-company borrowing and other facilities

The Company received an inter-company short term loan of TZS 18,635 million (2021 TZS.20,763 million) with JT International Holding B.V. Interest rate of LIBOR+3.5% margin was charged for May 2022 loan and LIBOR+2.3% margin for September loan. The Loan is for general corporate and working capital requirement activities, including capital expenditures. The loan is subjected to Withholding taxes on interest, payable to Tanzania Revenue Authority Subject to the loan limit, Draw Downs under this Agreement can be made in installments with no minimum or maximum amount applying. Interest payment shall be made in the currency of the corresponding Draw down and should be paid on the earlier of the maturity date or on the termination date.

The Company has also an overdraft facility with Standard Chartered Bank (Tanzania) Limited up to a limit of TZS 3,000 million to meet its working capital requirements. The facility is secured by a guarantee from the ultimate parent company Japan Tobacco Inc. The effective interest rate for the facility is the 91 Days Treasury Bills plus 2.7% p.a. and is charged on daily overdrawn amount. During the year, the Company made a drawdown TZS of 176 million which was fully settled hence no balance as at December 31,2022 (2021: NIL).The Company also operates a Manufacture Under Bond (MUB) facility under which export goods are produced. The facility enables the Company to import raw materials for export manufacture duty free. The facility is guaranteed by Japan Tobacco International S.A. through Standard Chartered Bank Tanzania Limited. The bond is limited to TZS 38,000 million with commission on bank guarantee charged at 0.8% p.a

Inter-company borrowing

	2022 TZS M	2021 TZS M
At January	20,763	-
Changes for the year	18,635	20,763
Loan repayment	(27,177)	-
Interest paid	(561)	-
Interest accrued	270	-
Foreign exchange difference	118	-
As at December	12,048	20,763

33. Financial risk management objectives and policies

The Company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and services offered. The Company, through its training, standards and procedures management, aims to maintain a disciplined and constructive control environment, in which all employees and stakeholders understand their roles and obligations.

The most important types of risks are credit risk, liquidity risk and market risk which is mainly due to foreign exchange risk and interest rate risk. A description of the significant risk factors is given below together with the risk management policies applicable.

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

Credit risk management

Potential concentration of credit risk consists principally of short-term cash and cash equivalent investments, and trade and other receivables. Trade receivables comprise a large and widespread customer base and the Company performs ongoing credit evaluations on the financial condition of its customers. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the credit loss assessment model developed base on past experience and the current economic environment. The carrying amount of financial assets represents the maximum credit exposure.

The amount that best represents the Company's maximum exposure to credit risk as at December 31, 2022 without taking account of the value of any collateral obtained was:

	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				TZS M	TZS M	TZS M
Trade receivables	N/A	Performing	Lifetime ECL	6,133	(1,540)	4,593
Amounts due from related companies	N/A	Performing	Lifetime ECL	38,328	-	38,328
Bank balances	Fitch	Performing	Lifetime ECL	17,103	-	17,103
Total credit exposure				61,564	(1,540)	60,024

The amount that best represents the Company's maximum exposure to credit risk as at December 31, 2021 without taking account of the value of any collateral obtained was:

	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				TZS M	TZS M	TZS M
Trade receivables	N/A	Performing	Lifetime ECL	12,275	(1,619)	10,656
Amounts due from related companies	N/A	Performing	Lifetime ECL	19,841	-	19,841
Bank balances	Fitch	Performing	Lifetime ECL	23,795	-	23,795
Total credit exposure				55,911	(1,619)	54,292

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

33. Financial risk management objectives and policies (continued)

Credit risk management

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

As at December 2022	TOTAL	< 30 days	60 days	60-90 days	>90 days
Gross amount (TZS'million')	6,133	4,522	36	128	1,447
ECL rate (%)		0%	0%	73%	100%
ECL (TZS 'million')	1,540	-	-	93	1,447

As at December 2021	TOTAL	< 30 days	60 days	60-90 days	>90 days
Gross amount (TZS'million')	12,275	10,384	989	94	807
ECL rate (%)		0%	73%	100%	100%
ECL (TZS 'million')	1,619	-	717	94	807

The Company has applied the simplified approach in IFRS 9 on receivables to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss and future economic conditions.

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts already recognized in the books.

Liquidity risk management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the entity could be required to pay its liabilities earlier than expected.

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate borrowing facilities are maintained. The Directors may from time to time at their discretion raise or borrow monies for the Company as they deem fit. There are no borrowing limits in the articles of association of the Company.

Notes to the Financial Statements for the year ended December 31, 2022 (Continued)

33. Financial risk management objectives and policies (continued)

Liquidity risk management (Continued)

Maturity analysis for financial liabilities as at December 31, 2022 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 months TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade payables(Note 25)		12,328	-	-	12,328
Amounts due to related companies (Note 29)		20,054	-	-	20,054
		32,382	-	-	32,382

Maturity analysis for financial liabilities as at December 31, 2021 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 months TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade payables(Note 25)		21,559	-	-	21,559
Amounts due to related companies (Note 29)		5,810	-	-	5,810
		27,360	-	-	27,369

Maturity analysis for financial assets as at December 31, 2022 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 months TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade receivables	6,133	-	-	-	6,133
Amount due from related companies (Note 29(ii))	38,328	-	-	-	38,328
Cash and bank balances	17,103	-	-	-	17,103
Total	61,564	-	-	-	61,564

Maturity analysis for financial assets as at December 31, 2021 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 months TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade receivables	12,275	-	-	-	12,275
Amount due from related companies	19,841	-	-	-	19,841
Cash and bank balances	23,795	-	-	-	23,795
Total	55,911	-	-	-	55,911

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

33. Financial risk management objectives and policies (continued)

Market risk management

(i) Interest rate risk

The Company is not exposed to interest rate risk because it does not have floating interest borrowing. During the year, the Company received interest income amounting to TZS 416 million (2021: TZS 954 million) from its short-term bank deposits.

(ii) Foreign exchange risk

Foreign exchange risk arises on financial instrument that are denominated in a currency other than Tanzania Shillings (TZS). The Company's costs and expenses are principally incurred in Tanzanian Shillings (TZS) and US Dollars (USD). The Company did not enter into formal hedging transactions in respect of these transactions. Volatility in the exchange rate of USD against TZS would make the Company's costs and results less predictable than when exchange rates are stable.

(ii) Foreign exchange risk (Continued)

At December 31, 2022, if the TZS had strengthened or weakened by 5% against the USD with all the other variables held constant, the impact on the pre-tax profit for the year would have been lower or higher by TZS 22 million (2021: TZS 354 million). The carrying amounts of the Company's material foreign currency denominated monetary assets and liabilities that will have an impact on profit or loss when exchange rates change, as at December 31, 2022 are as follows:

	2022 TZS M	2021 TZS M
Cash and bank balances in USD	6,658	10,898
Trade and other receivables in USD	39,359	23,832
Trade and other payables in USD	(45,573)	(41,808)
Open position	444	7,078

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

33. Financial risk management objectives and policies (continued)

Financial instruments categorization

	Financial assets carried at amortized costs	Financial liabilities carried at amortized costs	Non financial liabilities or assets or equity	Total
	TZS M	TZS M	TZS M	TZS M
As at December 31, 2022				
Assets				
Trade and other receivables	42,921	-	13,536	56,457
Bank balances	17,103	-	-	17,103
Total assets	60,024	-	13,536	73,560
Non-current liabilities				
Deferred tax liability	-	-	1,801	1,801
Defined benefit obligation	-	-	17,184	17,184
Lease liabilities	-	-	24	24
	-	-	19,009	19,009
Current liabilities				
Trade and other payables	-	32,382	38,345	70,727
Provisions	-	-	9,254	9,254
Lease liabilities	-	-	55	55
Inter-Company borrowing	-	12,048	-	12,048
Income tax liability	-	1,650	-	1,650
	-	46,080	47,654	93,734
	-	46,080	66,663	112,743

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

Notes to the Financial Statements for the year ended December 31, 2022

	Financial assets carried at amortized costs TZS M	Financial liabilities carried at amortized costs TZS M	Non financial liabilities or assets or equity TZS M	Total TZS M
As at December 31, 2021				
Trade and other receivables	30,497	-	12,431	42,928
Non-current asset held -for-sale	-	-	257	257
Bank balances	23,795	-	-	23,795
Total assets	54,292	-	12,688	66,980
Defined benefit obligation	-	-	12,536	12,536
Lease liabilities	-	-	76	76
	-	-	12,612	12,612
Current liabilities				
Trade and other payables	-	27,369	41,286	68,655
Provisions	-	-	8,083	8,083
Lease liabilities	-	-	422	422
Inter-Company borrowing	-	20,763	-	20,763
Income tax liability	-	-	2,428	2,428
	-	48,132	52,219	100,351
	-	48,132	64,831	112,963

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

34. Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders of the Company.

The Board of Directors reviews the capital structure on a regular basis. As part of this review, the board considers the cost of capital and the risks associated with each class of capital. Based on the review, the Company analyses and assesses the gearing ratio to determine the level and its optimality, through balancing its overall capital structure in payment of dividends and issue of new debt or the redemption of existing debt.

The Company's overall strategy remains unchanged from 2022.

The constitution of capital managed by the Company is as shown below:

	2022 TZS M	2021 TZS M
Share capital	2,000	2,000
Defined benefit actuarial gains	4,250	6,043
Retained earnings	153,953	144,748
Equity	160,203	152,791
Intercompany borrowing (Note 32)	12,048	20,763
Lease liabilities (Note 28)	79	498
Total debt	12,127	21,261
Less: Cash and bank balances (Note 22)	(17,103)	(23,795)
Net debt	(4,976)	(2,534)
Total equity	160,203	152,791
Total capital	155,227	150,437
Gearing ratio	3.2%	1.7%-

As at December 31, 2022 the Company was financed by inter-company debt of TZS. 12,048 million (2021: TZS.20,763).

Notes to the Financial Statements for the year ended December 31, 2022(Continued)

35. Fair value measurement

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 valuation techniques based on whether the inputs to those 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

- (a) Fair value of the Company financial assets and financial liabilities that are measured at fair on recurring basis.

The Company had no financial assets or financial liabilities that are measured at fair value on recurring basis at December 31, 2022 (2021: none).

- (b) Fair value of the Company financial assets and financial liabilities that are not measured at fair on recurring basis.

The Company's financial assets and liabilities are measured at amortised cost; their carrying amounts are reasonable approximation of their fair value.

36. Functional and presentation currency

The Company's functional and presentation currency is Tanzanian Shillings (TZS).

37. Comparative figures

Where necessary comparative figures have been changed to confirm with current year presentation.

38. Events subsequent to the year end

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial period, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Company and results of its operations.



TANZANIA CIGARETTE PUBLIC LIMITED COMPANY

Registered office

20 Nyerere Road, P.O. Box 40144, Dar Es Salaam, Tel: +255 22 216 6000/1