Tanzania Cigarette Public Limited Company
Rasilimali ya Tanzania

ANNUAL REPORT 2020


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Tanzania Cigarette Public Limited Company

TCC

Annual Report | 2020
Taarifa ya Mwaka

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TCC's share of market is estimated at 87.2% for the year ending 2020. This represents an increase of +0.7 percentage point if compared to 2019.

806 Assistive devices
Business Review

"In 2020, the Company supported People with Disabilities (PWDs) with 806 assistive devices (tricycles, White canes and Crutches) that were distributed to five regions; Lindi, Ruvuma, Tabora, Katavi and Rukwa."

21 Message from CEO

"Our strength and resilience enabled us to weather the storm in a challenging year. Sales momentum in the last quarter of 2020 gives me confidence we are well positioned to grow volume and profit in 2021."

Financial Highlights

Consolidated five-year financial summary

	2016 TZS M	2017 TZS M	2018 TZS M	2019 TZS M	2020 TZS M
Revenue	**300,962**	**279,749**	**294,386**	**309,771**	**279,354**
EBITDA	108,159	76,723	84,185	93,380	67,733
Depreciation and amortization	12,890	12,007	13,101	13,496	13,182
Gross Profit	170,892	158,148	166,108	175,896	150,732
Operating income	95,269	64,716	71,084	79,884	54,551
Net Finance and foreign exchange (gain)/loss	(3,365)	(1,201)	(397)	(1,263)	462
Corporate tax	29,964	20,558	23,544	26,936	18,166
Profit for the year	**68,669**	**45,357**	**47,936**	**51,248**	**35,924**
At year end:					
Net Property, plant and equipment	89,353	96,765	98,117	97,754	93,555
Total assets	257,212	259,802	266,614	268,627	268,621
Interest bearing debts	-	-	-	-	-
Total Liabilities	70,496	76,907	76,420	81,486	96,696
Total shareholders' equity	186,716	182,895	190,194	187,141	171,925
For the year:					
Net cash generated by operating activities	61,507	62,674	49,736	74,275	56,772
Net cash used in investing activities	(14,261)	(19,497)	(13,917)	(11,808)	(8,778)
Net cash used in financing activities	(60,000)	(50,000)	(40,000)	(55,047)	(50,626)
Cash flow for the year	(12,754)	(6,823)	(4,179)	7,420	(2,632)

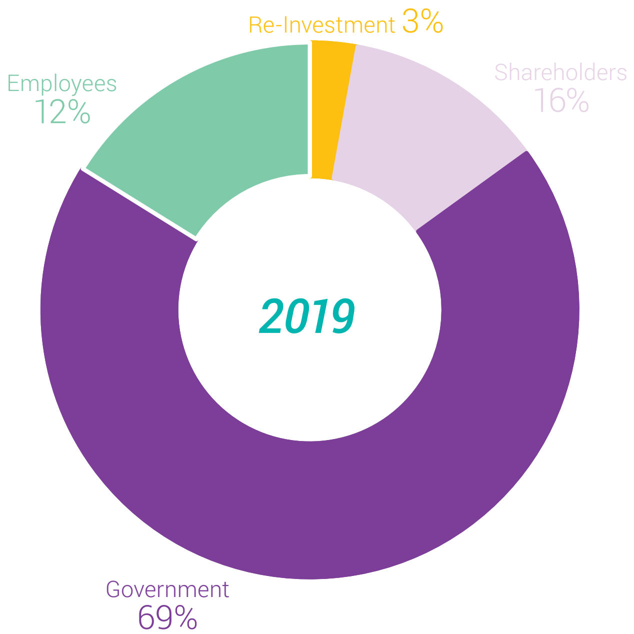
	2016	2017	2018	2019	2020
Dividend per share (TZS)	600	400	450	550	500
Earning per share (TZS)	687	454	479	512	359
Profitabilty:					
Return on equity	38%	25%	26%	27%	20%
EBITDA margin	36%	27%	29%	30%	24%
Operating income margin	32%	23%	24%	26%	20%
Total assets turnover	1.17	1.08	1.10	1.15	1.04
Stability:					
Current ratio	289%	254%	274%	255%	223%
Debt ratio (total liabilities/total assets)	27%	30%	29%	30%	36%

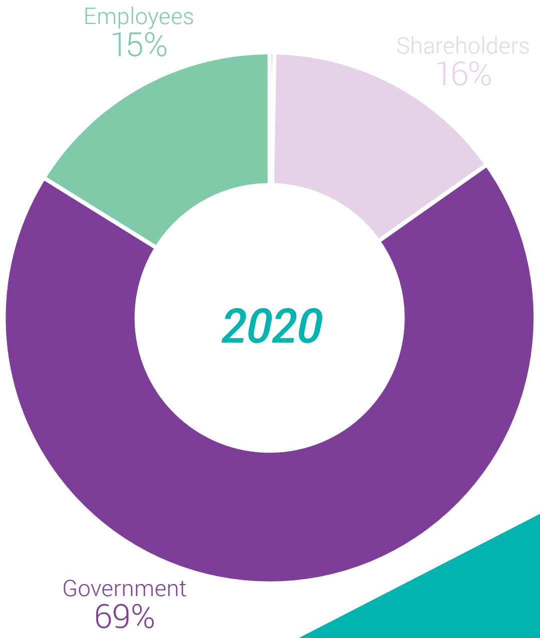
Financial Highlights

Value Added

	2020 TZS M	%	2019 TZS M	%
Gross turnover	473,665		517,167	
Operating expenditures - suppliers	(165,893)		(176,634)	
Total Value added	**307,772**	**100.0**	**340,533**	**100.0**
Value distributed as follows:				
To Employees - remuneration	46,189	15.0	41,447	12.2
To Government - vat,excise duties	194,311	63.1	207,396	60.9
To Government - corporate tax	18,166	5.9	26,936	7.9
To shareholders - dividends	50,000	16.2	55,000	16.1
To Reinvestment:				
Depreciation and amortisation	13,182	4.3	13,506	4.0
Retained income	(14,076)	-4.6	(3,752)	-1.1
Total distributions	**307,772**	**100.0**	**340,533**	**100.0**

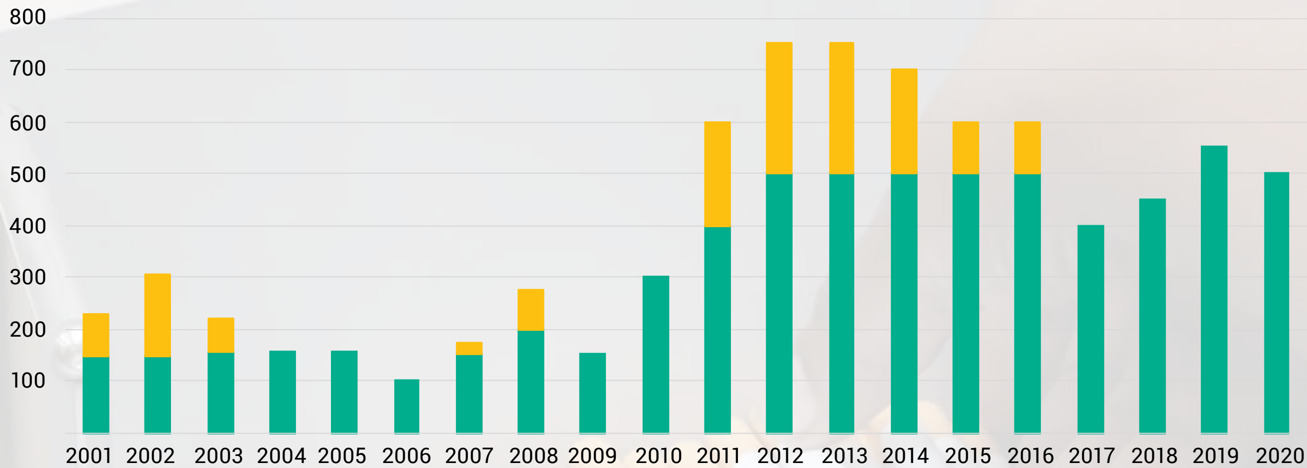
Value Distributed %





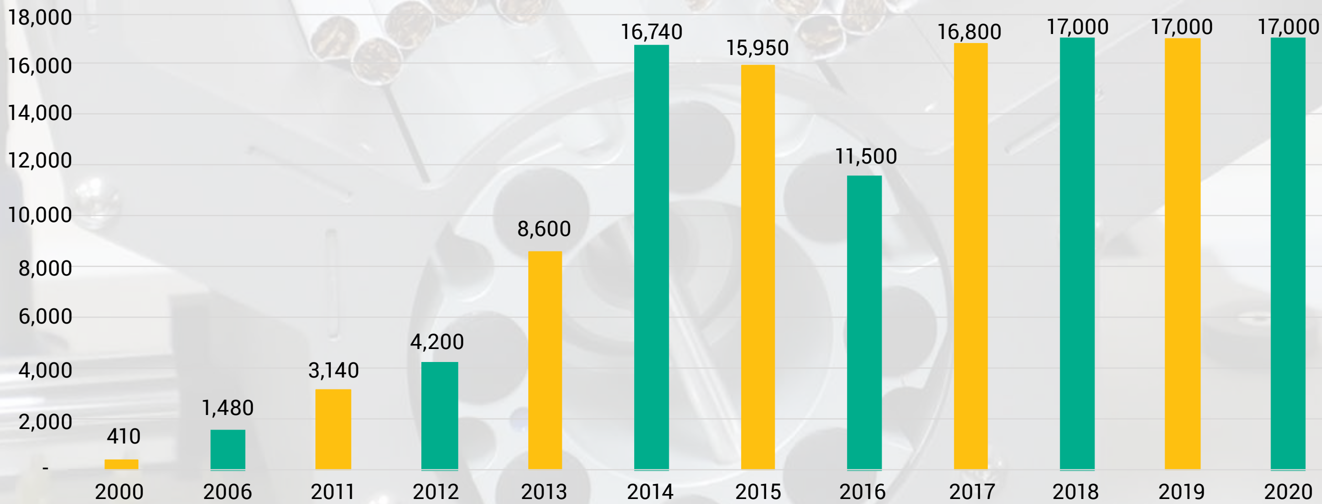
Financial Highlights

Dividend history



Share price evolution

Share price evolution (TZ/ Share): 2000-2020



Muhtasari wa **Taarifa ya Fedha**

Mjumuisho wa Taarifa ya Miaka Mitano

	2016 TZS M	2017 TZS M	2018 TZS M	2019 TZS M	2020 TZS M
Mapato	**300,962**	**279,749**	**294,386**	**309,771**	**279,354**
EBITDA	108,159	76,723	84,185	93,380	67,733
Kushuka kwa thamani na kupunguzwa kwa deni	12,890	12,007	13,101	13,496	13,182
Faida ghafi	170,892	158,148	166,108	175,896	150,732
Mapato ya uendeshaji	95,269	64,716	71,084	79,884	54,551
Fedha Halisi na Fedha za kigeni (ongezeko)/Hasara	(3,365)	(1,201)	(397)	(1,263)	462
Kodi ya Mapato	29,964	20,558	23,544	26,936	18,166
Pato Halisi	**68,669**	**45,357**	**47,936**	**51,248**	**35,924**
Mwisho wa Mwaka:					
Majengo, Kiwanda na Vifaa vilivyobaki	89,353	96,765	98,117	97,754	93,555
Jumla ya Mali	257,212	259,802	266,614	268,627	268,621
Madeni yenye riba	-	-	-	-	-
Jumla ya Madeni	70,496	76,907	76,420	81,486	96,696
Jumla ya Thamani ya Hisa za Wanahisa	186,716	182,895	190,194	187,141	171,925
Kwa Mwaka:					
Fedha halisi iliyozalishwa kutokana na uendeshaji	61,507	62,674	49,736	74,275	56,772
Fedha halisi iliyotumika kwenye shughuli za uwekezaji	(14,261)	(19,497)	(13,917)	(11,808)	(8,778)
Fedha halisi zilizotumika kwenye shughuli za uwezeshaji	(60,000)	(50,000)	(40,000)	(55,047)	(50,626)
Mtiririko wa pesa kwa mwaka	(12,754)	(6,823)	(4,179)	7,420	(2,632)

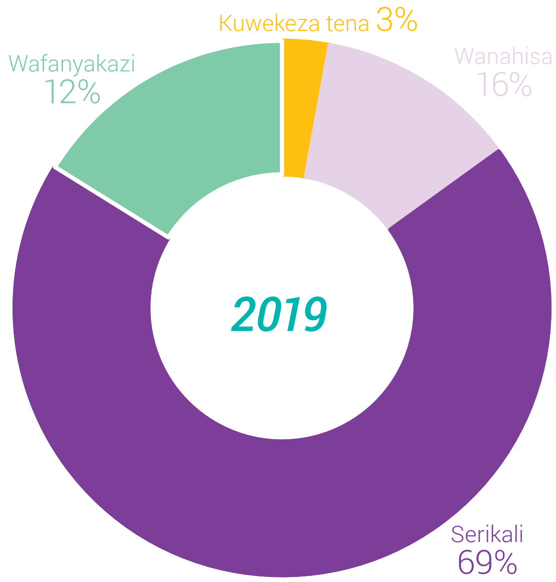
	2016	2017	2018	2019	2020
Mgao kwa Hisa (TZS)	600	400	450	550	500
Kipato kwa hisa (TZS)	687	454	479	512	359
Faida:					
Marejsho ya thamani ya hisa	38%	25%	26%	27%	20%
Mapato kabla ya makato	36%	27%	29%	30%	24%
Mapato baada ya gharama za uzalishaji	32%	23%	24%	26%	20%
Jumla ya Mali	1.17	1.08	1.10	1.15	1.04
Umadhubuti :					
Uwiano uliopo	289%	254%	274%	255%	223%
Uwiano wa deni (Jumla ya Madeni /Jumla ya Mali)	27%	30%	29%	30%	36%

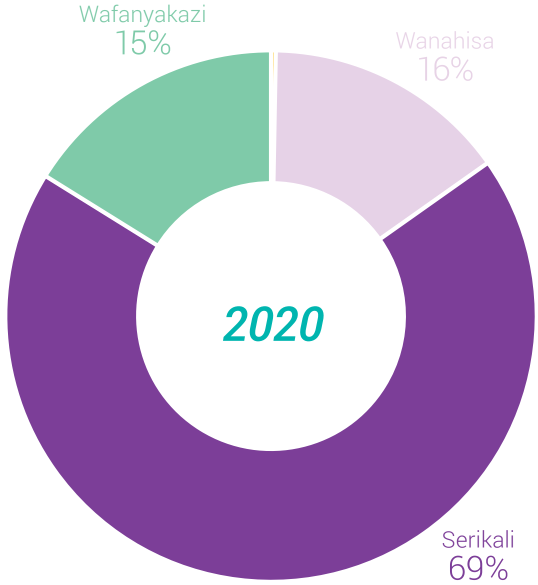
Muhtasari wa **Taarifa ya Fedha**

Ongezeko la Thamani

	2020 TZS M	%	2019 TZS M	%
Pato Kuu bila Makato	473,665		517,167	
Gharama za uendeshaji - Wagavi	(165,893)		(176,634)	
Jumla ya thamani iliyoongezeka	**307,772**	**100.0**	**340,533**	**100.0**
Thamani iligawiwa kama ifuatavyo:				
Kwa Wafanyakazi - Mishahara	46,189	15.0	41,447	12.2
Kwa Serikali - Ushuru wa bidhaa, Kodi ya bidhaa iliyoongezewa	194,311	63.1	207,396	60.9
Kwa Serikali -Kodi ya Mashirika	18,166	5.9	26,936	7.9
Kwa wanahisa - Migao	50,000	16.2	55,000	16.1
Kwenye kuwekeza upya:				
Kushuka kwa thamani na Kupunguzwa kwa Deni	13,182	4.3	13,506	4.0
Kipato kilichobakishwa	(14,076)	-4.6	(3,752)	-1.1
Jumla ya kilichotoka	**307,772**	**100.0**	**340,533**	**100.0**

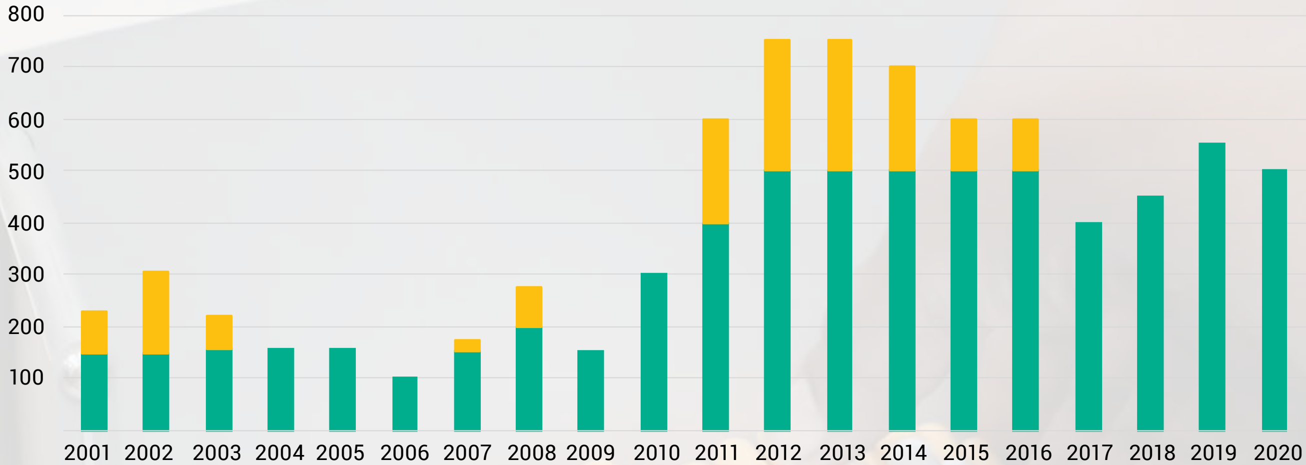
Mgawanyo wa Thamani %





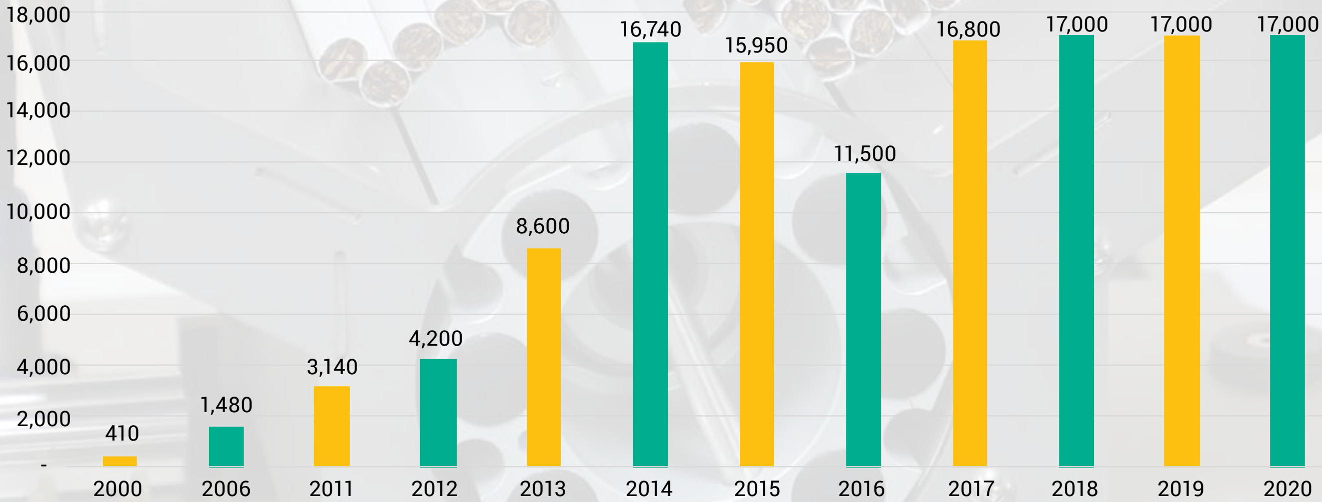
Muhtasari wa **Taarifa ya Fedha**

Historia ya Migao



Mabadiliko ya bei ya hisa

Mabadiliko ya bei ya hisa (TZ/Hisa): 2000-2020



Our Mission & Vision

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

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.

Dira na Dhamira yetu

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

Dhamira yetu ni kukuza wingi wa bidhaa na faida huku tukitetea 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.

Core Values
Maadili Yetu

Winning Attitude
Mweleko wa ushindi

We are driven by success.

Tunasukumwa na mafanikio.

Commitment to Quality
Wajibu Katika Ubora

We put the consumer at the heart of what we do.

Tutamtanguliza mtumiaji wa bidhaa zetu katika kila tunachofanya.

Better together
Umoja ni Nguvu

We work as "One Team".

Tunafanya kazi kama "Timu Moja"

We do the right thing
Tunafanya kwa haki na uadilifu

We act responsibly to drive sustainable success.

Tunazingatia wajibu wetu kupata mafanikio endelevu

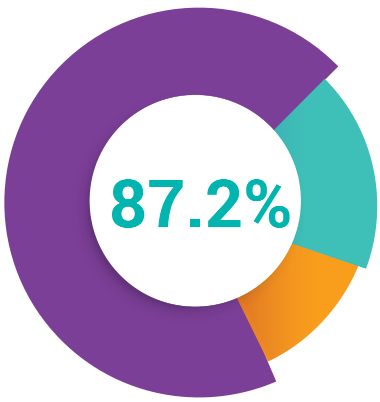
Business Review

FY 2020 VS FY 2019

Total volume		-12.2% on PY
Revenue	279.4 Billion Tanzanian Shillings	-9.8% on PY
Gross profit	150.7 Billion Tanzanian Shillings	-14.3% on PY
Operating expenses	96.6 Billion Tanzanian Shillings	-1.1% on PY
Profit before tax	54.1 Billion Tanzanian Shillings	-30.8% on PY
Net profit	35.9 Billion Tanzanian Shillings	-29.9% on PY

Business Review

Marketing: TCC's share of market is estimated at **87.2%** for the year ending 2020. This represents an increase of **+0.7** percentage point if compared to 2019.



Know your Customer

Adult Smokers:

We engage adult smoker in brand conversations during activations at point of sale (POS). In return we learn about:

- Their smoking behavior – This gives us views on smokers' loyalty on brands, prices (value brands vs Premium brands), cigarette tastes & quality, average quantity e.t.c
- Brand preferences (both our brands and competitors) – This gives us a view into what they like/dislike or miss about our brands
- Competitors brands (why they smoke it instead of ours) – This helps in starting a conversation on what we are lacking compare to competitors and what should we do about it.

Retailers:

I. **Retail Uptake Program:** This is amongst our big programs that support the business overall performance by pulling/driving sales from Wholesalers to retailers by supporting the extra committed targets by Wholesalers.

What we do in the field

- We do a Dealer performance analysis (know your customer) to identify potential dealers/wholesalers to engage in the program in each month set for conducting the program. In this angle, we get to know well performance of each brands for each dealer for any period of time we want to.
- Finally aligning with identified Wholesalers on the extra targets that we can support during activations using our promotional PGAs focusing on targeted brands.
- Using Trade Promoters during activations gives us additional information about our products/price/availability/visibility/customer preferences in a particular area etc. and also competitors' products and their positions at dealer's points.

II. **Faidika Na Mix Program:** This program focusing on driving sell of out of the mix (Embassy, Portman & Sweet Menthol) across the country by rewarding retailers based on the set of each region

What we do in the field,

- We do a retailer performance analysis: under this exercise, we get to know a weekly sell out capacity of each retailer for each region while determining number of empty packs that a retailer can collect per week).
- Feedback from trade marketers (TMs): Through feedback from TMs; we get to know performance of each brands per territory/region etc. Knowing territory dominating brand(s), and customer preference.

III. **TCC Na Zaidi:** This program focusing on creating, cherishing and protecting customer loyalty over TCC products of TCC Na Zaidi ambassadors who normally, are the very first customers to support all programs that we run in the field. The program/relationship focuses on maximizing on visibility, availability planogram and RRSP. Through conformity audit and reward remittance by Trade marketers, we get to know the level of visibility, availability planogram and RRSP adherence for our products at retailer points and also position and activities of our competitors.

Responsible Marketing

We market our product through communication posters and word of mouth, and according to (Global Marketing Principles) both means need to be applied:

Communication posters

- Communication message that does not call adult consumer to smoke.
- Use non-influential adult casts
- Place price statement "bei ya rejareja iliyopendekezwa"
- Insert/write health warnings that covers 10% of the overall visual
- Place posters only at point of sale (Dukas or Horecas) and that which are not close (100Metres) to and at those 100 meters away from schools, hospital and children playgrounds

Word of mouth by field force & brand ambassadors

- Communicate only to adults (18 years old and above) during trade (buy& sell)
- Approach adult smokers only for sampling or selling task
- Conduct activations at point of sale that is Duka/horeca
- Conduct nightime events at point of sale or mass events that only allows/involve adults 18 year old and above and are conducted at nighttime

Freedom of Association

TCC is a unionized Company which promotes employees' rights of freedom of association. Majority of TCC employees are members of Tanzania Union of Industrial and Commercial Workers (TUICO) which is affiliated to Trade Union Congress of Tanzania (TUCTA). TUICO-TCC is working independently and its main activity is to protect and advance the interests of its members, the representer.

TCC Union is the sole representor of employees in Collective Bargaining Agreement (CBA) negotiation, discussion of any major changes within our Company but also the Union support the Management to advocate some key messages to employees including compliance with Code of Conduct, enforcement of Performance Management and Social Welfare.

The partnership between TUICO-TCC and Management has been a value adding to the business for the benefit of both employees and the Company. For the past three years to date our CBA has been the best practice within the country through accreditation and recognition by the Association of Tanzania Employers (ATE) and the Ministry of Labor.

Employees Welfare

Family Leave Policy

In the process of promoting Diversity & Inclusion and Work Life Balance, TCC became the first Company in Tanzania to introduce the new Family Leave Policy by offering a minimum of 20 weeks fully paid Parental Leave starting January 1, 2021. This policy brings a significant improvement to the current maternity and paternity leave policy which will enhance the balance in career for both men and women, but also equalize the roles they play in the society.

In the first phase, the policy applied to all full time female employees in Market and GSC, as the Primary Care Givers. The policy is driven globally by JTI and most of entities including Tanzania started the implementation this year.

TCC believes becoming a parent is a life changing moment with an aim of supporting employees wellbeing by providing the best possible experience to help them succeed. TCC is proud to have an inclusive workplace culture and to accelerate our journey with a policy that supports our vision of a more gender balanced organization.

Employees projects never stopped

In 2020 the pandemic of COVID – 19 also impacted how we do employees gatherings. Due to safety measures employees gatherings were not possible and it was a challenge of doing events as we used to do. It was our normal practice to meet and socialize physically in events like Family Day, May Day, Long Service Awards, Inspire Awards and End of Year Party. Regardless of these challenges, the Company ensured the people (employees and their families) still engage, socialize and enjoy by making all the events happen virtually in a unique way. Both employees and family members were able to attend and participate in events, games, competitions and conferences virtually.

Through these events employee's children got the opportunity of being coached by our internal expertise via career talks and storytelling. Spouse were also engaged in games and competitions like singing, drawing, dancing and photography. Moreover, our long serving employees and winners for Inspire Awards were also recognized and awarded in a remarkable event virtually.

Making these events happen has challenged our status quo and embedded our practice of New Ways of Working and Living. Our Company as a Learning Organization will continue to embrace changes and live our value "Better Together".

Talent Management

On ensuring the company has a fit for the future workforce TCC Plc went on a transformation and implemented key strategic People practices. Including Agile ways of working : which allow employees to learn different aspect of the business and diversify their career path through diversified projects, ARCI working model which defines who is to be accountable, responsible, consulted and informed in every business process for roles clarity and avoiding ambiguity in execution, Reduced span and layers which allow for simple and flat structures for easy coaching and supervision of our employees, and Engaging Talent to Value which places talents at more value obtaining positioning with clear performance objectives and development goals for building our talents.

Employee welfare

Employee relations

As at December 31, 2020 the Company had **418** employees (2019: 417 employees). Female employees constituted **17.22%** (2019:17.51%) of the total workforce.

Gender	2020	2019
Male	346	344
Female	72	73
	418	**417**

Tanzania Cigarette Public Limited Company tested its resilience during the challenging times by modifying working conditions to meet reality while at the same time surpassing its own benchmarks. TCC PLC was named Top Employer once again for a 4th year in a row by the Top Employer Institute. TCC PLC went even further by achieving Gold level certification in Investors In People (IIP) certification which is a 3 years assessment on how the company makes work better by putting people first and caring about their work-life balance for building a stronger, healthier, happier society. IIP is an international standard administered by a UK based IIP Agency.

Compensation and benefits

A key part of the Company's success lies in its ability to attract and retain highly motivated and productive employees. The Company's compensation approach continues to be 'pay for performance'. The approach ensures all employees are challenged 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 2020 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.

Corporate Affairs and Communications

Political and charitable donations

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

Giving back to Communities

Community investment programs under the flagship of Together Creating a Change adopts a holistic and inclusive approach in the sustainable transformation of Livelihood of adult beneficiaries.

The Company supports communities directly and indirectly through partnerships with social and cultural partners by supporting programs in Poverty Alleviation, People with Disabilities (PWDs), Natural Environment, Visual & Performing Arts and Older persons.

In 2020, the Company supported People with Disabilities (PWDs) with 806 assistive devices (tricycles, White canes and Crutches) that were distributed to five regions; Lindi, Ruvuma, Tabora, Katavi and Rukwa. This support is important to address multiple forms of discrimination that contribute to increased vulnerability to exclusion on the basis of disability and other factors.

The Company supported three groups of women in Kilimanjaro and Mbeya with sewing machines and sunflower oil pressing machine to empower them economically. This is inline with Tanzania Development Vision 2025 that underlines the importance of gender equality and empowerment of women in all socio-economic and political spheres. The support provides opportunities for a better life including increased employment opportunities, access to revenue and expanded investment in the local community.

Lastly, the Company supported the government to respond to Covid-19 pandemic through supply of various preventive materials.

The overarching aspiration of all our community investment initiatives/programs is to contribute towards Vision 2025 to create a strong and competitive economy characterized by a diversified and semi-industrialized economy., hygiene measures, annual leave and strategies to keep the business operating effectively.

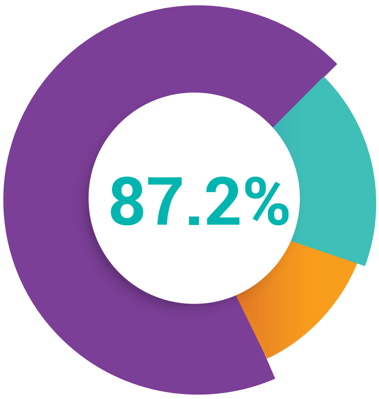
Mapitio ya Biashara

2020 Kulinganisha na 2019

Jumla Kuu		-12.2%
Mapato	279.4 Shilingi bilioni za Kitanzania	-9.8%
Faida ghafi	150.7 Shilingi bilioni za Kitanzania	-14.3%
Gharama za uendeshaji	96.6 Shilingi bilioni za Kitanzania	-1.1%
Faida kabla ya kodi	54.1 Shilingi bilioni za Kitanzania	-30.8%
Faida halisi	35.9 Shilingi bilioni za Kitanzania	-29.9%

Mapitio ya **Biashara**

Masoko: TCC inashikilia asilimia **87.2** ya soko mpaka kufikia mwishoni mwa mwaka 2020. Hii inajumuisha ongezeko la asilimia 0.7 tukilinganisha na sehemu ya soko mwaka 2019.



Fahamu Wateja Wako

Wavutaji ambao ni watu wazima:

Wavutaji ambao ni watu wazima: Tunawaendea wavuta sigara ambao ni watu wazima kwenye kukuza na kujadiliana nao kuhusu chapa zetu kwenye maeneo ambayo bidhaa zetu zinauzwa (POS). Matokeo yake ni kujifunza yafuatayo:

- Tabia ya uvutaji wao – Hii inatuwezesha kuelewa msimamo wao juu ya chapa yetu, bei (chapa kubwa na za kawaida) ladha na ubora wa sigara, idadi n.k.
- Chapa zinazopendelewa (zetu na za washindani wetu) – Hii inatuwezesha kuelewa nini wanapenda ama kutopenda ama kukosa katika chapa zetu.
- Chapa shindani (kwanini wanavuta chapa shindani badala ya kuvuta chapa yetu) – hii inatuwezesha kuanzisha mjadala kuhusu mapungufu yetu tukijilinganisha na washindani wetu na nini tufanye kukabiliana na hali hiyo.

Wauzaji wa rejareja:

I. **Mpango wa uwezeshaji wa Wauzaji wa Rejareja:** Huu ni moja ya mipango yetu mikubwa yenye kukuza utendaji wa biashara kwa kutoa msukumo wa mauzo kutoka kwenye maduka ya jumla, na kuelekeza msukumo huo kwa wauzaji wa rejareja kwa kuwezesha malengo ya maduka ya jumla.

Tunafanya nini mitaani.

- Tunatathmini utendaji wa mawakala ili kubaini wauzaji wa jumla na mawakala wajao, kwa kuwashirikisha kila mwezi zoezi linapofanyika. Kwa namna hii tunaweza kufahamu utendaji wa kila chapa kwa kila wakala muda wowote ule.
- Kuelewana na wauzaji wa jumla kuhusu malengo yao ya ziada ambayo tunaweza kuwezesha wakati wa ukuzaji au kwa kuwezesha ukuzaji wenye kuzingatia chapa fulani fulani kwa mujibu wa hitaji litakavyokuwa.

Kutumia mbinu za kimasoko kwenye ukuzaji hutupatia taarifa ya ziada kuhusu bidhaa zetu juu ya bei/upatikanaji/ kuonekana kwake/ chaguo la wateja katika maeneo maalumu na bidhaa za washindani pamoja na nafazi zao kwenye sehemu za mauzo.

II. **Mpango wa Faidika na Mix:** Mpango huu huzingatia mauzo ya (Embassy, Portman na Sweet Menthol) kote nchini kwa kuwapa zawadi wauzaji wa rejarejha kulingana na mpango wa kila eneo husika.

Tunachokifanya mitaani,

- Tunadadisi utendaji wa muuzaji wa rejareja: Katika zoezi hili tunapata kufahamu uwezo wa kila muuzaji wa rejareja kwa kila wiki, kwa mujibu wa eneo lake, huku tukiangalia idadi ya pakiti tupu ambazo muuzaji anaweza kukusanya kwa wiki ili aweze kupata ziada
- Mrejesho wa taarifa kutoka kwa watendaji wa mbinu za kimasoko (TMs): Kutokana na mirejesho hii tunapata kujua utendaji wa kila chapa kwa mujibu wa eneo. Hii pia inatuwezesha kuelewa ni chapa zipi zinatawala maeneo fulani fulani na wateja wanapendelea nini.

.III.**TCC na Zaidi:** Kazi ya mpango huu ni kujenga, kuenzi na kudumisha ama kulinda mapenzi ya wateja kwa chapa za TCC pamoja na mabalozi wa program ya TCC zaidi ambao kwa kawaida ndio huwa wateja wa kwanza kutuunga mkono tukiwa mitaani. Msingi wa mpango ni kuzingatia kuongeza kuonekana, upatikanaji na akiba kadiri iwezekanavyo. Kwa watendaji wa mbinu za kimasoko kudadisi uhamiaji wa wateja na kuwalipa tuzo, tunapata kuona upatikanaji, kuonekana ,na tabia ya akiba ya bidhaa zetu kwenye sehemu za mauzo ya rejareja na shughuli zifanywazo na washindani wetu.

Uwajibikaji kwenye Masoko

Uwajibikaji kwenye Masoko Tunatangaza bidhaa zetu kupitia mabango na kauli ya mdomo kwa mujibu wa (Vigezo vya Kimataifa vya Utangazaji wa bidhaa za tumbaku) ambazo njia zote mbili zinatakiwa kutumika:

Matangazo ya mawasiliano

Ujumbe hauwashawishi watu wazima kuvuta sigara.

- Matangazo hutumia watu wazima ambao hawana ushawishi mkubwa kwenye jamii.
- Kauli ya bei huwa "bei ya rejareja iliyopendekezwa"
- Weka tahadhari za kiafya zenye kuchukua asilimia 10 ya picha yote.
- Weka bango sehemu za mauzo tu, na umbali wa mita 100 kutoka shule, hospitali na maeneo ya michezo ya Watoto.

Kusambaza kauli kwa kutumia timu za mitaani na mabalozi wa chapa.

- Ongea na watu wazima tu katika sehemu za ununuzi na uuzaji.
- Waendee watu wazima kwa ajili ya kuuza tu au wao kujaribu bidhaa.
- Fanya uanzishaji kwenye maeneo ya mauzo.
- Fanya matukio na shughuli za usiku zenye kuhusisha watu wazima tu kwenye maeneo ya mauzo.

Uhuru wa Chama cha Wafanyakazi

TCC ni Kampuni yenye umoja ambayo inatetea haki za wafanyakazi kuwa huru kushirikiana. Idadi kubwa ya wafanyakazi wa TCC ni wanachama wa chama cha Wafanyakazi wa Viwanda na Biashara (TUICO) ambacho kinashirikiana na Chama cha Wafanyakazi cha Tanzania (TUCTA). TUICO-TCC inafanya kazi kwa kujitegemea na shughuli yake kuu ni kulinda na kuendeleza masilahi ya wanachama wake, ambao ni wafanyakazi.

Chama cha Wafanyakazi ndio mwakilishi pekee wa wafanyakazi katika mazungumzo ya Mkataba wa Hali Bora. Aidha, Chama cha Wafanyakazi kinaunga mkono juhudi muhimu za menejimenti kwa wafanyakazi hususani zenye kuwalekekeza wafanyakazi kufuata kanuni za kimaadili, utekelezaji wa utendaji na usimamizi ikiwa ni pamoja na ustawi wa Jamii.

Ushirikiano baina ya TUICO-TCC na utawala umekuwa ukikuza thamani ya biashara kwa manufaa ya pande zote mbili za mwajiri na waajiriwa. Kwa miaka mitatu mfululizo, Mkataba wa Hali bora yetu umekuwa ndio mfano bora nchini kwa mujibu wa Wizara ya Kazi na Vyama vya Wafanyakazi Tanzania.

Ustawi wa Wafanyakazi

Sera ya likizo ya familia

Katika mchakato wa kukuza mchanganyiko wa wafanyakazi, Ujumuishaji, na Usawa baina ya Maisha na Kazi, TCC imekuwa Kampuni ya kwanza nchini Tanzania kuanzisha Sera mpya ya Likizo ya Familia kwa kutoa kima cha chini cha wiki 20 kwa likizo ya Uzazi inayolipwa kikamilifu kuanzia Januari 1, 2021.

Sera hii inaleta uboreshaji mkubwa kwa sera ya sasa ya likizo ya wazazi wa kike na kiume itakayoongeza usawa kwa wanaume na wanawake kwenye taaluma, lakini pia kufanya majukumu yao katika jamii kufanyika sawia. Katika awamu ya kwanza, sera hii ilitumika kwa waajiriwa wote wa kike katika Idara ya Masoko, na Kiwandan , ikichukulia wanawake kama walezi wakuu. Sera hiyo inaendeshwa kimataifa na sehemu nyingine nyingi. TCC imeanza kutekeleza sera hii mwaka huu.

TCC inaamini kuwa uzazi ni hatua yenye mabadiliko makubwa kwa wafanyakazi, na hivyo hulenga kuwawezesha wafanyakazi kwa kila hali iwezekanavyo ili waweze kufanikiwa. TCC hujivunia kuwa na mazingira jumuishi kwenye maeneo ya kazi pamoja na kuwa na sera zenye kuchochea kufanikiwa kwa ndoto yetu ya kuwa shirika lenye kutekeleza usawa wa kijinsia.

Miradi ya Wafanyakazi kamwe haikuzorota.
Mwaka huu 2020 janga la COVID - 19 liliathiri jinsi tunavyofanya mikusanyiko ya wafanyakazi. Kwa sababu ya hatua za kiusalama mikusanyiko ya wafanyakazi haikuwezekana na ilikuwa vigumu kufanya hafla kama tulivyokuwa tukifanya hapo kabla. Ilikuwa mazoea yetu ya kawaida kukutana na kujumuika Pamoja katika hafla kama Siku ya Familia, Mei Mosi, Tuzo za Wafanyakazi waliodumu muda mrefu, Tuzo za kuhamasisha na Sherehe ya Mwisho wa Mwaka. Hata hivyo, pamoja na changamoto zilizopo bado tuliweza kujumuika, kushirikiana na kufurahi kwa kutumia njia mbadala. Wafanyakazi na wanafamilia waliweza kuhudhuria na kushiriki katika hafla, michezo, na mashindano kwa njia ya mitandao.

Kupitia hafla hizi watoto wa waajiriwa walipata fursa ya kupata mafunzo ya moja kwa moja kutoka kwa wataalamu wetu wa ndani kupitia simulizi na mijadala juu ya Maisha yao ya baadaye. Wenza pia walishirikishwa katika michezo mbalimbali kama kuimba, kuchora, kucheza muziki, na kupiga picha.

Aidha, wafanyakazi wetu wa muda mrefu na washindi wa tuzo za Kuhamasisha walitambuliwa na kutuzwa katika hafla ya kipekee kwenye mtandao.

Kufanya hizi hafla kumetulazimisha kuboresha viwango vyetu katika kubuni njia bora zaidi za kimaisha na kiutendaji kwa wafanyakazi. Kampuni yetu ni shirika lenye kujifunza na kuendelea kufanya hivyo kadiri mabadiliko yatakavyokuja huku tukiishi msimamo wetu wa “Better Together”.

.

Usimamizi wa Vipaji

Katika kuhakikisha kuwa kampuni inaendelea kuwa na wafanyakazi bora baadaye, TCC PLC ilifanya mabadiliko makubwa ya kimkakati kuhusu rasilimaliwatu. Ikijumuisha njia bora za kufanya kazi: ambayo inaruhusu wafanyakazi kujifunza utendaji wa sehemu tofauti za kampuni ili waweze kubadilisha maeneo yao ya kazi kupitia miradi anuwai, mfano wa ARCI ya utendaji; ambayo inafafanua ni nani mwenye majukumu yapi, nani mwenye kuwajibika, mwenye kushauriwa na ni nani mwenye kuarifiwa katika kila hatua ya mchakato wa biashara yetu ili mipaka ya utendaji iwe wazi na kila mtu afahamu fika nafasi yake ya kazi ili Kupunguza matabaka: aidha, hii inaruhusu miundo rahisi na wazi yenye kuwezesha ukufunzi na usimamizi wa wafanyakazi, na kuthamini wafanyakazi kwa mujibu wa mchango wao kwenye kampuni. Jambo ambalo linawaweka waajiriwa katika nafasi ambazo wanaweza kuwa na mchango mkubwa zaidi katika kampuni, kwa uwazi na kwa kuzingatia malengo na mipaka ya kazi.

Ustawi wa Wafanyakazi

Mahusiano ya Wafanyakazi

Mpaka kufikia Desemba 31, 2020 Kampuni ilikuwa na wafanyikazi 418 (2019: wafanyikazi 417).

Wafanyikazi wa kike wakiwa 17.22% (2019: 17.51%) ya wafanyikazi wote.

Gender	2020	2019
Male	346	344
Female	72	73
	418	417

Tanzania Cigarette Public Limited Company ilithibitisha umadhubuti wake wakati wa changamoto kwa kurekebisha mazingira ya kazi ili kukidhi mabadiliko huku wakati huo huo ikipita malengo yake. TCC Plc ilitambuliwa kuwa mwajiri bora zaidi kwa miaka minne mfululizo na Top Employer Institute. TCC Plc ilikwenda mbali zaidi kwa kufikia uthibitisho wa kiwango cha Dhahabu katika kuwezesha watu wake (IIP) jambo ambalo ni matokeo ya tathmini ya miaka mitatu juu ya jinsi kampuni inavyofanya kazi kwa kuwapa wafanyakazi wake kipaumbele na kujali usawa wa maisha yao katika mazingira ya kazi kwa kujenga waajiriwa wenye nguvu, afya, na furaha zaidi. IIP ni kiwango cha kimataifa kinachosimamiwa na Wakala wa IIP wa Uingereza.

Fidia na manufaa

Sehemu muhimu ya mafanikio ya Kampuni iko katika uwezo wake wa kuvutia na kuhifadhi wafanyakazi wenye motisha na tija. Njia ya fidia ya Kampuni inaendelea kuwa ile yenye 'kulipa kwa ajili ya utendaji'.

Njia hii inahakikisha wafanyakazi wote wanajituma kufanya kazi kwa busara kusaidia ukuaji binafsi na wa kitaalamu huku wakisaidia malengo ya Kampuni. Dhana kuu katika mwaka wa 2020 ililenga kuboresha utendaji ili kuwa na wafanyakazi bora katika siku zijazo. Na kwa kuzingatia dira yetu ya 2030, tutaendelea kuhimiza ujumbe huu kwa sababu ndiyo njia pekee ya kufikia malengo yetu.

Idara ya Mahusiano na Mawasiliano

Michango ya kisiasa na hiari

Ikiwa ni sehemu ya sera, kampuni haijihusishi na michango ya kisiasa.

Kurudisha fadhila kwenye jamii

Mpango wa uwekezaji wa kijamii chini ya ujio wa kuleta mabadiliko pamoja inatumia njia jumuishi katika kuleta mabadiliko endelevu katika maisha ya wanufaika. Kampuni ina wezesha jamii moja kwa moja kwa kushirikiana na washirika wa kitamaduni na kijamii kwa kuunga mkono juhudi za kupambana na umasikini, kuwezesha vilema, mazingira, sanaa na wazee.

Mwaka 2020, Kampuni iliunga mkono Watu Wenye Ulemavu (PWDs) kwa kuwapa vifaa 806 na (baiskeli tatu, fimbo nyeupe na magongo) ambazo zilisambazwa kwenye mikoa mitano; Lindi, Ruvuma, Tabora, Katavi na Rukwa. Msaada huu ni muhimu katika kupambana na aina nyingi za ubaguzi zenye kuchangia kuongezeka kwa mazingira magumu ya unyanyapaa. Kampuni ilisaidia vikundi vitatu vya wanawake huko Kilimanjaro na Mbeya kwa kuwapatia cherehani na mashine ya kukamulia mafuta ya alizeti. Hii ni sambamba na Dira ya Maendeleo ya Tanzania ya mwaka 2025 ambayo inasisitiza umuhimu wa usawa wa kijinsia na uwezeshaji wa wanawake katika nyanja zote za kijamii, kisiasa na kiuchumi. Msaada huo hutoa fursa za maisha bora ikiwa ni pamoja na kuongezeka kwa fursa za ajira, upatikanaji wa mapato na kupanua uwekezaji katika jamii husika.

Aidha, kampuni ilisaida serikali kukabiliana na janga la Covid-19 kwa kuwasilisha idadi ya vifaa mbali mbali vya kujikinga.

Matarajio ya mipango ya uwekezaji katika jamii ni kuchangia dira ya mwaka 2025 ili kufanikisha ujenzi wa uchumi wa kati wa viwanda wenye uimara na mchanganyiko wa watu, kanuni za usafi, likizo ya kila mwaka, na mikakati yenye kuwezesha biashara kuendelea kwa ufanisi wa hali ya juu.

Members of the Board | Wajumbe wa Bodi

Paul Makanza
Chairman

- Paul has over 20 years senior level management and leadership experience in the private sector in Tanzania and Sub-Saharan Africa.
- Extensive leadership, governance and government relations experience. He currently leads several boards.
- Chairman of the Tanzania Cigarette Company Plc (TCC), Confederation of Tanzania Industries (CTI) and Tanzania Start-up Association (TSA).
- Vice Chairman 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 Chairman of the TCC Board since August 3, 2017.

Paul Makanza
Mwenyekiti

Paul ana uzoefu wa zaidi ya miaka 20 kwenye uongozi na usimamizi wa juu katika sekta binafsi kusini mwa jangwa la Sahara barani Afrika.

- Uzoefu mkubwa kwenye uongozi, utawala na mahusiano ya kiserikali. Kwa sasa, anaongoza bodi kadhaa.
- Ni mwenyekiti Kampuni ya Sigara Tanzania (TCC), Shirikisho la Viwanda Tanzania (CTI) na Tanzania Start-up Association (TSA).
- Makamu Mwenyekiti wa Taasisi ya Sekta Binafsi Tanzania (TPSF).Uzoefu wake wa kisekta ni kwenye tasnia ya tumbaku (TCC na JTI) na huduma za kitaalamu (PwC Tanzania). Amekuwa Mwenyekiti wa Bodi ya TCC tangu Agosti 3, 2017.

Michal Bachan
General Manager and CEO

- Michal has over 20 years international leadership experience across various markets within and outside JTI including Poland, Tanzania and Switzerland.
- Assumed the role of Chief Executive Officer (CEO) and General Manager at TCC Plc in 2019, after serving as JTI Regional Marketing and Sales Director for Middle East, Near East, Africa, Turkey and World-Wide Duty Free (MENEAT-WWDF) for 3 years. He brings a wealth of valuable expertise in Marketing, Sales, Planning and Development.
- Previous roles held within JTI include Commercial Brand Manager in JTI HQ in Switzerland from 2001 to 2004, Marketing Manager Tanzania from 2004 to 2005, Director of Sales & Marketing Tanzania 2005 to 2007, Planning & Development Director Poland 2009 to 2012 and Marketing Director Poland 2012 to 2016.

Michal Bachan
Meneja Mkuu na Mkurugenzi Mtendaji

- Michal ana zaidi ya miaka 20 ya uongozi wa kimataifa katika masoko mbalimbali ndani na nje ya JTI ikiwa ni pamoja na Poland, Tanzania na Uswizi.
- Alichukua nafasi ya Mkurugenzi Mtendaji na Meneja Mkuu wa TCC Plc mnamo 2019, baada ya kutumikia kama Mkurugenzi wa Uzaji na Masoko wa Kikanda wa JTI kwa Mashariki ya Kati, Mashariki ya Karibu, Afrika, Uturuki na Kitengo cha Bidhaa zisizolipiwa ushuru cha JTI Ulimwenguni kwa Miaka 3. Ameleta uzoefu mkubwa an utaalamu muhimu katika Uuzaji, Mauzo, Mipango na Maendeleo.
- Nafasi alizowahi kushika ndani ya JTI ni pamoja na nafasi ya Meneja Biashara Makao Makuu ya JTI nchini Uswizi kutoka 2001 hadi 2004, Meneja Masoko Tanzania kutoka 2004 hadi 2005, Mkurugenzi wa Uuzaji na Masoko Tanzania 2005 hadi 2007, Mkurugenzi wa Mipango na Maendeleo nchini Poland kuanzia 2009 hadi 2012 na Mkurugenzi wa Masoko Poland mwaka 2012 hadi mwaka 2016.

Members of the Board | Wajumbe wa Bodi

Baraka Katemba

- Baraka is currently serving as the Finance and Administration Manager in the Copyright Society of Tanzania (COSOTA) since October 2020.
- He has held various positions in the public and private sector including; Finance, Investment and Planning Manager at Tanzania Standard Newspapers (TSN) for 3 years until September 2020, Senior Finance Management Advisor at the Office of the Treasury Registrar where he served for 8 years. Served in the University of Dar es Salaam Governing Council from 2015 to 2017.
- Baraka has extensive knowledge and experience in Investment and Financial Management, Accountancy, Taxation and Banking.
- He joined the Board of Directors of TCC on April 23, 2018 representing the Government of the United Republic of Tanzania.

Baraka Katemba

- Baraka ni Meneja wa Fedha na Utawala katika Jumuiya ya Hakimiliki ya Tanzania (COSOTA) tangu Oktoba 2020.
- Ameshika nafasi mbali mbali za umma na katika sekta binasfi pamoja na; Meneja wa Fedha, Uwekezaji na Mipango katika Magazeti ya Tanzania Standard Newspapers (TSN) kwa miaka 3 hadi Septemba 2020, ni Mshauri Mwandamizi wa Usimamizi wa Fedha katika Ofisi ya Msajili wa Hazina ambapo ametumikia kwa miaka 8. Ametumikia Baraza la Uongozi la Chuo Kikuu cha Dar es Salaam kutoka 2015 hadi 2017.
- Baraka ana uzoefu mkubwa kwenye uwekezaji na usimamizi wa fedha, uhasibu, kodi na taasisi za fedha.
- Amejiunga na Bodi ya Wakurugenzi ya TCC tarehe 23 Aprili mwaka 2018 akiwakilisha Serikali Jamhuri ya Muungano wa Tanzania.

Luca Meroni
JTI Corporate Compliance Vice President

- In 2020, Luca was JTI Global Transformation VP overseeing the JTI transformation process.
- He has a wealth of experience in finance acquired from his previous roles within JTI; Head of Internal Audit in JTI Headquarters in Geneva (2012 - 2019), Competency Centre Finance Business Lead, Director (2011 - 2012) and Director of Internal controls (2006 - 2011).
- Prior to joining JTI, Luca worked with Deloitte as a Senior Manager. Luca was appointed to the TCC Board of Directors on January 01, 2018.

Luca Meroni
Makamu Kiongozi wa Utii wa Sheria wa JTI

- Mnamo mwaka wa 2020, Luca alikuwa Makamu Rais idara ya Mabadiliko JTI Global akisimamia mchakato mzima wa mabadiliko ya JTI.
- Ana ujuzi mkubwa kwenye maswala ya kifedha kutokana na uzoefu wake ndani ya JTI kama; Mkuu wa idara ya Ukaguzi wa fedha wa Ndani Makao Makuu ya JTI Geneva (2012 - 2019), Mkuu wa Kituo cha Umahiri - Biashara ya Fedha, Mkurugenzi (2011 - 2012) na Mkurugenzi wa Udhibiti wa Ndani (2006 - 2011).
- Kabla ya kuijiunga na JTI, Luca alifanya kazi na Deloitte akiwa kama Meneja Mwandamizi. Luca aliteuliwa kujiunga na bodi ya TCC tarehe 1 Januari, mwaka 2018.

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)

- He has extensive experience and expertise in finance from his various roles within JTI for the past 20 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 Board of Directors on January 01, 2018

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 20 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 Udhibiti kutoka 2005 hadi 2006, Afisa Mkuu wa Fedha na Mkurugenzi wa Fedha nchini Iran kutoka 2002 hadi 2005, Mdhibiti 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 tangu tarehe 01, Januari mwaka 2018

Management | Usimamizi

Michal Bachan
General Manager and CEO

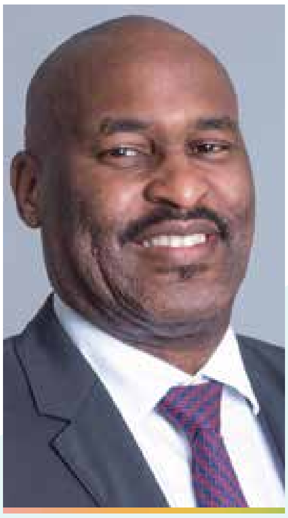
Angela Mangecha
People & Culture Director

Thomas Hadorn
Finance Director

Godson Killiza
Legal & Corporate Affairs Director

Charles Mauya
Sales Director

Awaichi Mawalla
Marketing Director



Samwel Mandara
Manufacturing Director

"Return on equity, net sales, and operating income were in the range of 20% to 24% and broadly in line with previous years, reflecting a healthy and profitable business."

Dear Shareholders,
On behalf of the Board of Directors of Tanzania Cigarette Public Limited Company (TCC Plc), I am pleased to report on the performance of the Company for the period ended December 31, 2020.

2020 was unprecedented in modern times

The emergence of the Corona virus disease (COVID-19) coronavirus in early 2020 disrupted supply and demand chains and plunged the global economy into a recession. According to the World Bank, the global economy contracted by 4.3% in 2020.

Thanks to Government Authorities' combined measures - such as limited mobility restrictions, fiscal and monetary measures to inject liquidity into the economy and sustain economic activities Tanzania avoided a recession.

Chairman's Statement

However, the pandemic induced global economic shock slowed Tanzania's economic growth to 5.5% in 2020 compared to 7% in 2019, according to the Bank of Tanzania's Monetary Policy Statement of January 22, 2021. The disruption of trade links and market access, including border closures, pushed up the cost of inputs and transportation services early in the year. Shocks to export-oriented sectors such as tourism, manufacturing, and related services reduced revenues and labour income for small and medium enterprises (SMEs) and impacted general consumer spending and behaviours.

The pandemic and distribution challenges significantly impacted net profit for the year

Profit before tax (PBT) declined by 30.8% from TZS 78.2 billion in 2019 to TZS 54.1 billion in 2020. And profit after tax (PAT) decreased by 29.9% from TZS 51.2 billion in 2019 to TZS 35.9 billion in 2020. This decline was due to a 12.2% drop in sales volume.

Pandemic-related health restrictions and precautionary behaviours by firms and consumers impacted general consumer spending, sales mix, and volume. Distribution challenges in the domestic market compounded the situation. And a lockdown in the Democratic Republic of Congo (DRC) in the second quarter of 2020, a key export market, impacted export volume.

Operating costs were broadly similar to 2019 and insufficient to offset the declined sales volume's impact on profits. Marketing and selling costs declined by 11.6% compared to the year prior due to reduced activities. Administration costs increased by 10.5% year-on-year due to COVID-19 measures to protect employees and their families' health and safety, increased transport costs of imported raw materials to ensure business continuity, and other employees related compensation.

Business fundamentals remained strong

Despite the above challenges and their impact on the 2020 financial results, business fundamentals remained strong. Return on equity, net sales, and operating income were in the range of 20% to 24% and broadly in line with previous years, reflecting a healthy and profitable business. Current assets were 2.23 (2019: 2.55) times greater than current liabilities, reflecting the Company's ability to meet its short-term obligations with ease. Total assets were 2.78 (2019: 3.30) times greater than total liabilities, indicating that the Company remains highly solvent. And cash at year-end was TZS 25.1 billion (2019: TZS 27.8 billion).

Given the strong cash position and in line with our dividend policy of 50% pay-out ratio, the Board of Directors recommended a final gross dividend payment of TZS 300 per share (2019: TZS 250 per share). This final dividend will be paid out to shareholders on or around May 11, 2021, subject to shareholders' approval at the Annual General Meeting of shareholders (AGM) scheduled for April 16, 2021. The final gross dividend plus the interim one paid out in November 2020 will bring the total gross dividend for the year ended December 31, 2020, to TZS 550 per share, (2019:TZS 550/share).

Corporate governance

Luca Meroni retired from the Board on December 31, 2020. He was a diligent Chair of our Audit Committee. I want to thank Luca for his outstanding service to the Board and the Audit Committee's leadership. We are fortunate to have Johnny Ng as a nominee of JTI H.B.V, the majority shareholder in TCC Plc, as Luca's successor. Johnny's nomination is subject to confirmation at the AGM in April 2021. Johnny brings a broad range of finance and leadership experience which will provide further depth to the Board.

The future will depend on sound domestic policies to accelerate recovery

Tanzania's economy is estimated to have grown by 5.5% in 2020. A recovery to pre-pandemic real average growth rates of 7% per annum and above will depend on two factors: (1) how the pandemic is effectively addressed globally and nationally and (2) sound domestic policies to accelerate the recovery of economic activities to pre-pandemic levels.

Policies that address private sector challenges will be critical. These challenges include the quality and quantity of domestic raw materials for agro-processing, availability and reliability of power supply, timely payment of verified VAT refunds, and a reasonable tax regime and rates. The relatively high cost of electronic tax stamps for tobacco products remains a significant concern for the company. Moreover, full implementation of the Government's Blueprint for Regulatory Reforms will be vital in reducing compliance costs and enhancing export competitiveness.

We are very encouraged by the improved level of public-private dialogue (PPD), the Government's strong commitment to addressing the above challenges, and the continued emphasis on domestic value addition.

Conclusion

I wish to thank my fellow board members for their effective oversight of the company and wise counsel during the year. To the Management and employees of TCC Plc, thank you for ensuring business continuity under very challenging circumstances in 2020. Finally, I wish to extend a note of appreciation to all our customers, consumers, business partners, and our parent company – JTI. Thank you for your continued support of the business.

With kind regards,

Paul D. Makanza
Chairman of the Board

Marejesho kwenye mali, mauzo halisi, na mapato ya uendeshaji yalikuwa katika kiwango cha 20% hadi 24% na kwa kiasi kikubwa ikilinganishwa na miaka iliyopita, ikionyesha biashara yenye afya na faida.

Wapendwa Wanahisa,
Kwa niaba ya Bodi ya Wakurugenzi wa Kampuni ya Sigara Tanzania {TCC Plc) ninayo furaha kuwasilisha utendaji wa kampuni kwa kipindi kilichohitimishwa Decemba 31, 2020.

Mwaka 2020 haukuwa mwaka wa kawaida katika zama zetu hizi.
Kuibuka kwa kirusi cha korona mwanzoni mwaka 2020 kumevuruga minyororo ya ugavi na mahitaji na kupelekea kuanguka kwa uchumi wa dunia. Kwa mujibu wa Benki ya Dunia, uchumi wa dunia umeshuka kwa 4.3% ndani ya mwaka 2020.

Tunashukuru jitihada za taasisi mablimbali za serikali kwa kutoweka vikwazo vya mizunguko ya watu, jitihada za kifedha za kuingiza pesa kwenye uchumi na kuendeleza shughuli za kiuchumi - Tanzania ilifanikiwa kutoanguka kiuchumi.

Hata hivyo, janga hili lililosababisha mshtuko wa uchumi ulimwenguni lilipunguza ukuaji wa uchumi wa Tanzania hadi kufifikia 5.5% mnamo 2020 ikilinganishwa na 7% ya mwaka 2019,

kulingana na Taarifa ya Sera ya Fedha ya Benki ya Tanzania ya Januari 22, 2021. Kusumbuliwa kwa viunganishi vya biashara na ufikiaji wa masoko, pamoja na mipaka kufungwa, kulipandisha

gharama ya pembejeo na huduma za usafirishaji. Mshtuko kwa sekta zinazohusiana na uuzaji wa nje kama utalii, uzalishaji, na huduma nyingine zinazo husiana nazo, zimepunguza mapato ya wafanyakazi na mapato kwa ujumla kwa wafanyabiashara wadogo na wa kati na kuathiri matumizi na tabia za watumiaji.

Waraka wa Mwenyekiti

Janga na ugavi wa changamoto kumeathiri faida halisi ya kampuni ya mwaka.
Faida kabla ya kodi (PBT) ilipungua kwa 30.8% hadi TZS bilioni 54.1 ikilinganishwa na mwaka uliopita. Na faida baada ya kodi (PAT) ilipungua kwa 29.9% hadi TZS 35.9 bilioni kwa mwaka uliopita. Kupungua huku kulitokana na kushuka kwa kiwango cha mauzo kwa 12.2%.

Vizuizi vya kiafya vinavyohusiana na janga na tahadhari zilizochukuliwa na makampuni na watumiaji mbalimbali, viliathiri matumizi ya wateja, mchanganyiko wa mauzo, na ukubwa wa mauzo. Changamoto za usambazaji katika soko la ndani zilichangia hali hii. Na kufungwa kwa mipaka ya Jamuhuri ya Kidemokrasia ya Congo katika robo ya pili ya 2020, kuliathiri kiwango cha mauzo, kwani ni soko muhimu kwetu katika masoko yetu ya nje.

Gharama za uendeshaji hazikupishana sana na zile za mwaka 2019 na hazikuweza kukabiliana na hasara zilizotokana na kushuka kwa mauzo. Gharama za jitihada za kimasoko na mauzo zilipungua kwa 11.6% dhidi ya mwaka uliopita kutokana na kupungua kwa shughuli. Gharama za kiutawala ziliongezeka kwa asilimia 10.5 mwaka hadi mwaka kutokana na hatua zilizochukuliwa kulinda afya za wafanyakazi na familia zao dhidi ya korona. Aidha kulikuwa na kuongezeka kwa gharama za usafirishaji wa malighafi kuingia nchini kuhakikisha biashara inaendelea, pamoja na gharama nyinginezo zihusianazo na fidia mbalimbali kwa wafanyakazi.

Licha ya changamoto hizi bado mihimili ya biashara yetu imebaki imara.
Licha ya changamoto tajwa na athari zake kwenye mapato ya mwaka 2020, mihimili ya biashara ilibaki imara. Marejesho kwenye mali, mauzo halisi, na mapato ya uendeshaji yalikuwa katika kiwango cha 20% hadi 24% na kwa kiasi kukubwa ikilingana na miaka iliyopita, ikionyesha biashara yenye afya na faida.

Mali zilizopo ni kubwa mara 2.23 kuliko dhima iliyopo, jambo ambalo linaonyesha uwezo wa kampuni kufikia majukumu yake ya muda mfupi kwa urahisi. Jumla ya mali zote zilikuwa na ukubwa wa mara 2.78 kuliko jumla ya dhima, ikionyesha kuwa kampuni iko vizuri na inaendelea kuwa na uwezo mkubwa wa kulipa madeni. Aidha, fedha mwishoni mwa mwaka zilikuwa TZS 25.1 bilioni.

Kutokana na kuwepo kwa hali nzuri ya kifedha na kuendana na sera yetu ya mgao wa 50%, Bodi ya Wakurugenzi ilipendekeza mgao jumlishi wa shilingi 300 kwa hisa (2019: shilingi 250 kwa hisa). Hili gawio la mwisho litalipwa kwa wanahisa mnamo au karibu na Mei 11, 2021, kulingana na idhini ya wanahisa katika Mkutano Mkuu wa Mwaka wa wanahisa (AGM) uliopangwa kufanyika Aprili 16, 2021. Gawio la mwisho la jumla pamoja na ile ya muda iliyolipwa katika Novemba 2020 italeta jumla ya gawio kwa mwaka ulioishia Desemba 31, 2020, hadi shilingi 550 kwa kila hisa, (2019:TZS 550/hisa).

Utawala wa Kishirika.
Luca Meroni alistaafu kutoka Bodi mnamo Desemba 31, 2020. Alikuwa Mwenyekiti wa Kamati yetu ya Ukaguzi mwenye bidii sana. Namshukuru Luca kwa huduma bora kwa Bodi na uongozi wa Kamati ya Ukaguzi. Tuna bahati ya kuwa na Johnny Ng kama mteule wa JTI H.B.V, mbia mkubwa zaidi wa TCC Plc, kumrithi wa Luca. Uteuzi wa Johnny unategemea uthibitisho wake katika Mkutano Mkuu wa Mwaka mnamo Aprili 2021. Johnny atatuletea uzoefu mkubwa kwenye mswala ya fedha na uongozi jambo ambalo tunategemea litaimarisha Bodi.

Yajayo yatategemea sera nzuri za ndani ili kuharakisha ahueni ya kiuchumi.
Uchumi wa Tanzania unakadiriwa kukuwa kwa 5.5% mnamo 2020. Kurejea kwenye viwango vya ukuaji halisi wa uchumi kwa wastani wa asilimia 7 kwa mwaka kabla ya janga kutategemea mambo mawili: (1) jinsi janga hilo linavyoshughulikiwa vyema kimataifa na kitaifa na (2) sera nzuri za ndani kurejesha haraka shughuli za kiuchumi kufikia viwango vilivyokuwepo kabla ya janga.

Sera zitakazoshughulikia changamoto za sekta binafsi zitakuwa muhimu sana. Changamoto hizi ni pamoja na ubora na wingi wa malighafi ya ndani ya usindikaji wa mazao ya kilimo, upatikanaji na uhakika wa umeme, malipo ya marejesho ya kodi ya ongezeko la dhamani kwa wakati, na ushuru na viwango vyenye tija. Gharama kubwa ya stempu za ushuru za elektroniki kwa bidhaa za tumbaku bado linaleta wasiwasi mkubwa kwa kampuni. Kwa kuongezea, utekelezaji kamili wa sera ya serikali ya mageuzi ya udhibiti itakuwa muhimu katika kupunguza gharama za kufuata na kuimarisha usafirishaji nje ushindani.

Tumehamasika sana kutokana na kuboreshwa kwa mawasaliano baina ya sekta binafsi na ya umma (public-private dialogue -PPD), Serikali kudhamiria kutatua changamoto hizi, na msisitizo uliowekwa juu ya kuongeza thamani ya bidhaa ndani ya nchi.

Hatimaye, napenda kuwashukuru wadau wetu wote.
Napenda kuwashukuru wanabodi wenzangu kwa hekima, busara, ushauri na usimamizi wao mzuri na wenye tija katika kipindi cha huu mwaka, Kwa Menejimenti na Wafanyakazi wa TCC Plc, asante kwa kuhakikisha biashara inaendelea licha ya changamoto kubwa za mwaka 2020. Mwisho, ningependa kutoa shukrani zangu za dhati kwa wateja, watumiaji, na washirika wote ikiwa ni pamoja na kampuni yetu mama– JTI. Asante kwa kuendela kuunga mkono biashara yetu.

Wenu,

Paul D. Makanza
Mwenyekiti wa Bodi

Our strength and resilience enabled us to weather the storm in a challenging year. Sales momentum in the last quarter of 2020 gives me confidence we are well positioned to grow volume and profit in 2021.

Dear Shareholders,
As I reflect on TCC's performance in 2020, I must highlight the unprecedented challenges we faced.

Global pandemic causing operational challenges and disruption in consumer behavior
Recession in global markets impacted Tanzania and slowed its economic growth, further constraining consumers' affordability. This resulted in lower cigarette consumption in the domestic market. Combined with adjustment of our route to consumer model and destocking of distributors, negatively impacted TCC's domestic sales volume by 5.7% compared to 2019. Despite this decline in sales volume, we outperformed our competitors and increased our market share by 1.5 percentage points.

The COVID-19 pandemic had a much more severe impact on our export sales volume than on domestic sales volume. Due to the pandemic, export volume declined by 23.2% compared to the prior year.

Constrained income of our consumers resulted in many of them opting to purchase cheaper products, which in turn combined with lower sales volume adversely impacted our revenues, which amounted to TZS 279.4 billion and were lower by 9.8% compared with 2019.

We successfully implemented important cost base optimization initiatives and zero-based budgeting across the organization, which partially mitigated the impact of lower sales. This was however not sufficient to offset the cost of sales where fixed costs of running the factory play a significant role. As a result, our EBIDTA (Earnings Before Interest, Taxes, Depreciation and Amortization) dropped by 27.5% compared to 2019.

Message from CEO

The operating environment remains challenging

I am confident that TCC's strong business foundations enable us to withstand the short-term adversities we faced in 2020. We appreciate the Government's on-going efforts to address the cost of doing business for competitiveness of our manufacturing sector. We have no doubt this will continue going forward.

One of the biggest challenges we face is the disproportionate high cost of electronic tax stamps (e-stamps) for tobacco products. TCC spent TZS 10.9 billion procuring the stamps in 2020. We support the use of e-stamps and the need to improve tax collection efficiency. We will continue to engage with the Government and all the key stakeholders involved to find a win-win solution to decrease the prohibitive costs of e-stamps.

We commend the Government for not increasing excise tax on tobacco products in 2020. Maintaining a reasonable tax regime and moratorium on excise tax rates in 2021 will be key to a post pandemic volume recovery and growth.

Creating conducive workplace for our employees to be the best they can be

I am proud of the policies and processes we have established at TCC that support our people who are at the core of our business and our success. In March 2020 we successfully implemented a Work-Smart-From-Home solution for office-based employees that enabled them to stay home and stay safe, protecting them and their families from exposure to the coronavirus.

For our field sales and factory personnel we introduced policies and provided personal protective equipment (PPE) to enable them to stay safe while performing their duties and supporting the continuity of our business operations.

Our continuous focus on our employees and raising the standards was acknowledged by an independent International firm, Investors In People, with Gold accreditation. TCC was also recognized as Top Employer in Tanzania for the fourth consecutive year. These awards are a reconfirmation that our company is an employer of choice for Tanzanians and that we are doing the right thing by investing in our people and ensuring TCC's success is sustainable.

Investing in our heritage and Global brands

We will continue investing in support of our brands which are the key assets of TCC and will continue to be one of our company's key competitive advantages. Embassy Switch introduced in the market as a test in 2019, gained interest amongst premium consumers, hence we took the decision to roll it out nationally in 2020. It continues to be the most innovative offering in the Tanzanian market and allows consumers to enjoy up to four different flavours in one cigarette.

The year 2020 marked an outstanding success for our Winston brand, the largest global flagship brand for JTI, our parent company. Winston became the number one brand by volume and share of market in Tanzania, replacing our other brand - Club. This is a significant milestone as we built its success in Tanzania within a short period of two years.

Notwithstanding the successes of Embassy and Winston, to sustain market leadership, TCC will continue supporting its heritage brands such as Porstman, Sweet Menthol, Club and Crescent & Star to retain our loyal consumers. These initiatives were and will continue to be conducted strictly per the current tobacco laws and regulations.

Strategic business outlook

The financial condition of our company remains healthy and I am confident we will deliver on our 2021 business objectives, subject to the containment of the coronavirus spread, a strong recovery of economic activities, and a conducive regulatory and fiscal environment.

The strong sales momentum of the last quarter of 2020 indicates we are on the right trajectory to return to growth in 2021. We remain committed to growing TCC's revenues. Central to our plan is a relentless focus on putting our customers' and consumers' needs at the heart of everything we do, including continuous improvement to the quality of our products and operational efficiencies.

As a strong vote of confidence in the solid long-term fundamentals of our business and TCC's strategic vision, the Board of Directors supported maintaining our final dividend per share of TZS 300 per share (2019: TZS 250 per share), subject to shareholders' approval at the Annual General Meeting of shareholders scheduled for April 16, 2021.

Appreciation

I would also like to extend my appreciation to all our key stakeholders for their unwavering support and commitment to Tanzania Cigarette Public Limited Company. I, together with my management team, will continue to make decisions for the benefit and the long-term sustainability of our Company. Thank you to our valued employees, management team and fellow Board members for your continued contributions to our business. Finally, a sincere thank you to our loyal customers and consumers.

With kind regards,

MICHAL BACHAN
Chief Executive Officer

Nguvu na udhubutu wetu umetuwezesha kuhimili changamoto mbali mbali katika hiki kipindi kigumu. Ongezeko la mauzo katika robo ya mwisho ya 2020 inanipa moyo kuwa tuko kwenye nafasi nzuri kuongeza faida na ukubwa wa biashara mwaka huu wa 2021.

Wanahisa Wapendwa,
Nikirejea utendaji wa TCC katika mwaka wa 2020, siwezi kufumbia macho changamoto tulizokutana nazo.

Janga lililoikumba dunia na kusababisa vikwazo na kubadilika kwa tabia za wateja wetu
Kudorora kwa uchumi wa dunia kumeathiri Tanzania, jambo ambalo limepelekea kupungua kwa kasi ya ukuaji wa uchumi na hatimaye kudhibiti uwezo wa wateja wetu kununua bidhaa zetu. Hii imepelekea kupungua kwa ununuzi wa sigara kwenye soko la nyumbani. Tukichukua hilo na kujumuisha ukweli kwamba tulilazimika pia kubadili mfumo wa usambazaji wa bidhaa pamoja na wasambazaji kupunguza ukubwa wa mizigo waliyokuwa wakichukua na kuhifadhi, si ajabu kuwa imeathiri mauzo ya ndani ya TCC kwa asilimia 5.7 tukilinganisha na mauzo ya mwaka 2019. Hata hivyo, licha ya kupungua kwa mauzo, bado tumefanya vizuri zaidi ya washindani wetu na kuongeza ukubwa wa nafasi yetu katika soko kwa pointi za asilimia 1.5. Janga la Korona limeathiri mauzo yetu ya nje kuliko mauzo yetu ya ndani. Kutokana na janga hili, mauzo ya nje yamepungua kwa asilimia 23.2 kutoka tulipokuwa mwaka uliotangulia.

kupungua kwa kipato cha wateja wetu kumepelekea wengi wao kuhamia bidhaa zilizokuwa za bei nafuu zaidi, jambo ambalo tukilijumlisha na kupungua kwa mauzo kwa ujumla limeathiri mapato yetu ambayo yalikuwa jumla ya Tsh bilioni 279.4 kwa asilimia 9.8 chini ya tulichokusanya mwaka uliotangulia wa 2019. Tulifanikiwa kuweka jitihada muhimu zilizoangalia gharama zetu pamoja na kubana matumizi, jambo ambalo lilipunguza athari ya kupungua kwa mauzo ambapo gharama za kudumu za uendeshaji wa kiwanda zilichukua nafasi kikubwa sana. Matokeo yake ni kupungua kwa mapato kabla ya makato ya kodi, riba, madeni na kupungua kwa thamani (EBIDTA) kwa asilimia 27.5 tukilinganisha na mwaka 2019.

Ujumbe kutoka kwa Mkurugenzi Mkuu

Mazingira ya uendeshaji bado ni Changamoto

Nina Imani kuwa uimara wa misingi ya biashara ya TCC itatuwezesha kuhimili changamoto za muda mfupi tulizokabiliana nazo mwaka 2020. Tunaishukuru serikali kwa jitihada zake endelevu katika kukabili gharama za kufanya biashara ili kukuza ushindani wa sekta ya uzalishaji. Na hatuna shaka ya kuwa jitihada hizi hazitokoma katika siku za mbeleni.

Moja ya changamoto kubwa tunayokabiliana nayo ni gharama kubwa ya mihuri ya umeme ya kodi (E-stamps) kwa ajili ya bidhaa zitokanazo na tumbaku. TCC ilitumia takriban shilingi bilioni 10.9 kutwaa mihuri hiyo mwaka 2020. Aidha, ieleweke kuwa tunaunga mkono matumizi ya mihuri hii na uhitaji uliopo wa kuboresha ufanisi wa ukusanyaji wa kodi. Tutaendelea kuwasiliana na serikali na wadau wote husika katika kutafuta ufumbuzi ambao una tija kwa pande zote katika kupunguza gharama za mihuri ya umeme.

Tunaipongeza serikali kwa kutoongeza kodi ya bidhaa kwenye bidhaa za tumbaku mwaka 2020. Kwa kudumisha desturi nzuri ya utozaji wa kodi na kusitishwa kwa viwango vya kodi mwaka 2021 kutachangia kwa kiasi kikubwa katika kurejesha ukuaji baada ya janga la korona.

Kuweka mazingira bora iwezekanavyo kwa wafanyakazi wetu

Ninajivunia sera na michakato ambayo tumeanzisha hapa TCC ambayo inawezesha watu wetu ambao kimsingi ndio msingi wa biashara yetu na mafanikio yetu. Mnamo Machi 2020 tulifanikiwa kutekeleza suluhisho kwa wafanyakazi walioko ofisini ambayo iliwawezesha kukaa nyumbani na kubaki salama, kuwalinda wao na familia zao kutokana na kuambukizwa na ugonjwa wa Korona.

Kwa wauzaji wetu wa mitaani na wafanyakazi wa kiwanda tulianzisha sera na kutoa vifaa binafsi vya kujikinga (vifaa kinga) kuwawezesha kukaa salama wakati wa kutekeleza majukumu yao na kusaidia mwendelezo wa shughuli zetu za kibiashara.

Kuzingatia kwetu wafanyikazi na kuinua viwango kulitambuliwa na kampuni huru ya Kimataifa, Investors In People, na kutupatia utambuzi wakiwango cha dhababu. TCC pia ilitambuliwa kama Mwajiri mkuu nchini Tanzania kwa mwaka wa nne mfululizo. Tuzo hizi ni uthibitisho mwingine kuwa kampuni yetu ni mwajiri ambaye ni chaguo la watanzania na kwamba tunafanya jambo sahihi kwa kuwekeza katika watu wetu pamoja na kuhakikisha kuwa mafanikio ya TCC ni endelevu.

Kuwekeza katika urithi wet una chapa zetu za kimataifa

Tutaendelea kuwekeza katika kusaidia chapa zetu ambazo ndio mtaji mkuu wa TCC zitakazoendelea kuwa katika vitu vikuu vinavyotupa nguvu na kutuweka mbele kiushindani. Embassy Switch iliyotambulishwa sokoni kama jaribio mnamo 2019, ilipendwa baina ya watumiaji wa hali ya juu, kwa hivyo tukachukua uamuzi wa kuipeleka kitaifa mnamo 2020. Inaendelea kuwa toleo la kibunifu zaidi katika soko la Tanzania na inaruhusu watumiaji kufurahiya hadi ladha nne tofauti katika sigara moja.

Mwaka wa 2020 ulionyesha mafanikio makubwa kwa chapa yetu ya Winston, chapa kubwa zaidi katika chapa zetu za kimataifa kwa JTI, kampuni yetu mama. Winston ilikua chapa namba moja kwenye soko nchini Tanzania, ikipita chapa yetu nyingine - Klabu. Hii ni hatua muhimu sana kwani tumejenga mafanikio yake nchini Tanzania katika kipindi kifupi cha miaka miwili.

Pamoja na mafanikio ya Embasy na Winston, ili kuendelea kuongoza katika soko, TCC itaendelea kuunga mkono chapa zake za urithi kama vile Portsman, Sweet Menthol, Club na Crescent & Star kuhifadhi watumiaji wetu waaminifu. Mipango hii ilikuwa na itaendelea kufanyika kwa kufuata sheria na kanuni za sasa za tumbaku.

Mtazamo wa Kimkakati wa biashara

Hali ya kiuchumi ya kampuni yetu bado ni nzuri na nina imani tutafanikisha malengo yetu ya kibiashara ya mwaka 2021, endapo tutadhibiti kusambaa kwa Korona, na shughuli za kiuchumi zitarejea na kutakuwepo na mazingira bora ya udhibiti na fedha.

Kasi kubwa ya mauzo ya robo ya mwisho ya 2020 inaonyesha tuko kwenye njia sahihi ya kurudi kwenye ukuaji mnamo 2021. Bado tunadhamiria kukuza mapato ya TCC. Kiini cha mpango kazi wetu ni kuweka wateja na mahitaji ya wateja wetu mbele kwa gharama yoyote katika kila tunachokifanya, pamoja na kuboreshwa kwa bidhaa na ufanisi wetu.

Kutokana na uaminifu mkubwa uliopo katika misingi ya muda mrefu ya biashara yetu na dira ya kimkakati ya TCC, Bodi ya Wakurugenzi imetetea hoja ya kubakisha gawio la mwisho kuwa Tsh 300 kwa hisa (2019:Tsh 250 kwa hisa) endapo wanahisa watakubaliana na hoja hiyo kwenye Mkutano Mkuu wa Wanahisa kilichopangwa kufanyika tarehe 16 Aprili 2021.

Shukrani

Ningependa kutanguliza shukrani zangu za dhati kwa wanahisa wote kwa kutuunga mkono bila kuyumba na kwa kufungamana kwao na Tanzania Cigarette Public Limited Company. Mimi pamoja na timu ya menejimenti, tutaendelea kufanya maamuzi yenye tija kwa maendeleo ya muda mrefu ya kampuni. Naomba asante iwafikie wafanyakazi wetu wapendwa, timu na menejimenti na wanabodi wenzagu kwa mchango wenu endelevu kwenye biashara yetu. Kwa kumalizia, ningependa niwashukuru pia wateja na watumiaji wetu waaminifu.

MICHAL BACHAN
Mkurugenzi Mkuu


JTI

Corporate Information

Directors and advisers:

Directors
Mr. Paul Makanza (Chairman)*
Mr. Luca Meroni**
Mr. Bertrand Tamisier*
Mr. Baraka Katemba Jonathan*
Mr. Michal Bachan

**Non-executive Directors*
***Retired*

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

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	Holding**
JT International Holding B.V.	75.0%
Kingsway Fund	10.3%
General public	5.6%
Public Service Social Security Fund	4.7%
The United Republic of Tanzania	2.2%
Neon Liberty Emerging Markets Fund LP	0.6%
Canvenham Public Growth	0.5%
Umoja Unit Trust Scheme	0.3%
TCCIA investment Company Limited	0.3%
Allan Gray Africa EX-SA Equity Fund Limited	0.3%
Sayed H. Kadri &/or Basharat Kadri &/or Mehboob &/or Khalid &/or Muzammil Kadri	0.2%
Total	**100%**

Shareholder classification	Holding**
Local	13.6%
Foreign	86.4%
Total	**100.00%**

**Based on share register as at December 31, 2020

Auditors
Deloitte & Touche
Certified Public Accountants (Tanzania)
3rd Floor, Aris House
Haile Selassie Road, Oysterbay
P.O. Box 1559
Dar es Salaam

Report of the Directors
for the year ended December 31, 2020

The Directors present their annual report and the audited financial statements of Tanzania Cigarette Public Limited Company (the "Company" or "TCC") for the year ended December 31, 2020, which disclose the Company's state of affairs.

Incorporation
The Company was incorporated in 1965 under the Companies Ordinance, Cap 212 which was repealed by the Companies Act, 2002 with registration number 3542 and is listed at the Dar es Salaam Stock Exchange (DSE). The registered office and principal place of business has been disclosed on page 1.

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:

Winning attitude:	We are driven by success. We have a passion, commitment and drive to succeed, putting our targets front and center.
Better together:	We work as 'One Team'. We value collaborative and harmonious working that embraces diversity of thoughts, and the importance of a strong, unified team.
Commitment to quality:	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.
We do the right thing:	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.

Principal activities
The Company's principal activities are the manufacturing, distribution, marketing and sale of cigarettes inside and outside Tanzania. Domestic brands include: Embassy, Portsman, Sweet Menthol, Safari, Club and Crescent & Star. The Company also manufactures, distributes, markets and sells in the domestic market the international brands: Camel, Winston and LD.

Report of the Directors
for the year ended December 31, 2020 **(Continued)**

Capital structure and shareholders
The Company's capital structure is as follows:

		2019 TZS M	2020 TZSM
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, 2020 is shown on page 1.

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).

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.

Stakeholders' relations
The Company enjoys positive relations with its key stakeholders - suppliers, customers and consumers, shareholders, current and potential employees, Government and regulators, and the wider society. It continually seeks to balance the interests of its stakeholders and exceed their expectations.

Corporate governance
Board of Directors
The Company is governed by a Board of Directors consisting of members with diverse international and local industry experience, functional expertise, and educational background. The Board comprises one Executive Director and four Non-Executive Directors. A Company Secretary supports the Board. The Board meets a minimum of two times a year to conduct its affairs. A Nomination and Audit Committee supports 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, 2020 **(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, 2020, 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	53	Appointed	April 16, 2017
Luca Meroni	Director (Non-executive)	Masters of Business Economics, Certified Public Accountant	Swiss	52	Retired	December 31, 2020
Bertrand Tamisier	Director (Non-executive)	Masters of Science in Business Administration, Certified Public Accountant	Swiss	54	Appointed	January 1, 2018
Baraka Katemba Jonathan	Director (Non-executive)	Masters of Finance & Investment, Certified Public Accountant	Tanzanian	37	Appointed	April 23, 2018
Michal Bachan	CEO	Masters of Marketing & Management	Polish	43	Appointed	August 27, 2019

Report of the Directors
for the year ended December 31, 2020 **(Continued)**

Corporate governance (continued)

Audit Committee

The Audit Committee is tasked with liaising with internal and external auditors on accounting, internal controls and financial reporting matters. The Committee reviews 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
Luca Meroni	Committee Chairman (Retired December 31, 2020)
Baraka Katemba Jonathan	Member
Bertrand Tamisier	Member

Nomination Committee

The Nomination Committee's mandate includes identifying and recommending qualified individuals to serve on the Board and Board 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 constitutes three non-executive members as provided below:

Name	Position
Bertrand Tamisier	Committee Chairman
Paul Makanza	Member
Luca Meroni	Member (Retired December 31, 2020)

Management team

Management is responsible for day to day operations under the direction and the Chief Executive Officer (CEO). The CEO is supported by a highly qualified and experienced Executive Management Team of six (6) Heads of Departments (HODs).

HODs report to the CEO, except for of HOD Manufacturing who reports to Regional Manufacturing Vice President (VP).

Department	Head of Department	Qualification	Nationality
Chief Executive Officer	Michal Bachan	Masters Marketing & Management	Polish
Manufacturing	Samwel Mandara	Bachelor of Engineering	Tanzanian
Finance and IT	Thomas Hadorn	Masters of Business Administration	Swiss
People and Culture	Angela Mangecha	BA (Human Resources)	Tanzanian
Legal & Corporate Affairs	Godson Killiza	LLB	Tanzanian
Sales	Charles Mauya	Masters of Business Administration	Tanzanian
Marketing	Awaichi Mawalla (Resigned, July 31, 2020)	BA Marketing & Economics	Tanzanian

Report of the Directors
for the year ended December 31, 2020 **(Continued)**
Corporate governance (continued)

Key policies and procedures
The Company has in place a Code of Conduct - the JTI Code of Conduct (CoC), Operating Guidelines (OGL) and policies and procedures to guide its business operation. All employees are required to comply with these principle policy guidelines. Non-compliance is a serious breach and could result in disciplinary measures which could include 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.

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.

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

Equal opportunity employer: The Company is an equal opportunity employer. It does not discriminate on the basis of gender, religion or disability. All current and potential employees are entitled to equal opportunity and treatment in terms of recruitment, compensation and benefit, succession planning, performance appraisal and reward, and disciplinary process.

Environmental Health and Safety (EHS): The Company manages its environmental impact and promotes continuous improvements through its EHS policy, standards, procedures, guidance, training and management tools. All employees are required to: comply with the Company's Health and Safety standards, complete relevant Health and Safety training, comply with the Company's procedures and safe working practices, and report unsafe conditions, accidents, near accidents and unsafe behavior.

Know Your Supplier (KYS): Suppliers are selected objectively and impartially, based on various criteria that include integrity, quality, performance, commercial terms, and commitment to safety and environmental protection. All key suppliers are formally certified to ensure they meet the Company's Supplier Standards.

Product quality: Only products that meet the Company's stringent quality standards reach the Company's customers. The Company manufactures products with stringent specifications using consistently high-quality supplies of tobacco and non-tobacco material from certified suppliers. Quality is assured throughout all stages of sourcing, manufacturing, storage, distribution and customer service, in full compliance with regulatory and legal requirements.

Know Your Customer (KYC): The Company rigorously analyses all its customers periodically, to ensure it does business with legitimate and law-abiding customers only.

Responsible marketing: The Company is committed to marketing its products responsibly. It complies with all national laws and regulations and implements the Global Marketing Principles that govern the marketing of its products. If a conflict exists between the Global Marketing Principles and applicable local laws in terms of restrictions, the more restrictive standard is applied. The Company believes that minors should not smoke and should not be able to obtain tobacco products, and adult smokers should be appropriately informed about the health risks of smoking before they make the decision to smoke.

Anti-corruption: The Company does not tolerate any form of bribery or corruption. Business partners are expected to comply fully with the Company's position on anti-corruption as a condition for doing business. The Company prohibits the provision of money, gifts, entertainment or anything of value to any Government or public official for the purpose of obtaining a business advantage. The Company does not permit facilitation payments or fees requested by Government officials to facilitate the performance of routine Government actions.

Risk management and internal controls
Failure to comply with the JTI Code of Conduct, Operating Guidelines, or Policies and Procedures could result in fraud, operational and financial risks which would negatively impact the business and its reputation. Risk mitigation measures in place include:

Report of the Directors
for the year ended December 31, 2020 **(Continued)**
Risk management and internal controls (continued)

Strict enforcement of the JTI Code of Conduct,

Operating Guidelines and Policies and Procedures described above: The Chief Compliance Officer, who is also the Head of the Legal Affairs, is the custodian of policies and procedures and is responsible for enforcement assisted by respective Functional Heads. All employees are required to sign a declaration that they have read, understood and will abide with the Code of Conduct.

Internal audit: The Company has a fully outsourced internal audit service. The independent internal auditor is responsible for planning and delivering a risk based internal audit plan. The independent internal auditor reports to the Chairman of the Audit Committee. The Chairman approves its charter, annual audit plan, monitors execution of audits, evaluates audit findings, recommendations and implementation of recommendations by Management.

Management is responsible for developing, managing, and improving internal financial and operational control systems. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Company's internal control systems are designed to provide the Board with reasonable assurance that the procedures in place are effective.

Ultimate responsibility for managing risks and ensuring appropriate and effective internal control systems are in place lies with the Board. The Board assessed the internal control systems throughout the financial year ended December 31, 2020 and is of the opinion that they met accepted criteria.

Employee welfare

Employee relations

As at December 31, 2020 the Company had 418 employees (2019: 417 employees). Female employees constituted 17.22% (2019:17.51%) of the total workforce.

Gender	2020	2019
Male	346	344
Female	72	73
	418	417

The safety of employees and business continuity were key priorities for the Company through-out the COVID-19 pandemic. Despite the challenges brought about by the pandemic, the Company continued to deliver on its people programs. The Company was named Top Employer once again for a 4th year in a row by the Top Employer Institute and achieved Gold level certification in Investors In People (IIP). IIP is a three-year assessment of how the Company makes work better by putting people first and caring about their work-life balance to build a stronger, healthier, happier society. IIP is an international standard administered by a UK-based IIP Agency.

Talent management

One of TCC Talent Management policy is to identify, attract, develop and retain the right talents who are well prepared for future challenges and exciting opportunities. Our approach to Talent Management (TM) is well structured to ensure employees get better platform to develop their career and contribute to the Company's future. As a sign of seriousness in people development, in 2020, the Company invested TZS 198 million (an average of 0.5 million per employee) (2019:817million or 2million per employee) in training and development only by offering employees numerous learning opportunities from specialist training to global development projects. Also, the Company continued to utilize well its talents where in 2020 more than 90% of management roles were filled by internal employees.

Learning & development

The Company launched TCC Free Minds Book Club and Library with the aim of giving employees alternative and better solution to foster personal and professional development. This initiative has encouraged number employees to try something new as a development solution to gain experience, improve performance and connect with one another. As of December 31, 2020, the Company database had 125 professional books free for all employees to borrow where in 2021 the plan is to increase the number of books to reach 200 with the intent of giving employees reasonable options of books for their development.

Compensation and benefits

A crucial part of the Company's success lies in attracting and retaining highly motivated and productive employees. The Company's compensation approach continues to be 'pay for performance.' The policy ensures all employees are challenged and engaged to work smartly to support their personal and professional growth while also supporting the Company's key business objectives in the process. A key theme in 2020 was geared towards performance management to have a fit for the future workforce. With our vision 2030, we will re-enforce this message because it is the only way to realize our vision to reality.

Report of the Directors
for the year ended December 31, 2020 **(Continued)**

Employee welfare (continued)

Diversity & inclusion
The Company continued to be an equal opportunity employer, it established a cross-functional Diversity & Inclusion committee supporting for the company-wide initiatives of having an inclusive, multi-cultural, and ideal work place. 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.

The team is also diverse with three females and three males from different functions and with different diverse thinking from various work groups. The key focus areas are creating awareness on how each employee has a part to play in this; to work on the gender balance; to increase the number of people living with disability(PLWDs) and to have a more diverse workforce.

Promoting a safe environment
Effective health and safety management goes well beyond complying with legislation. The Company's Environmental, Health and Safety (EHS) management system strategy is to be self-compliant, meeting stakeholders' growing expectations for organizations, and extending beyond employees to cover contractors and visitors to the operations.

The organization is committed to providing and maintaining safe workplace, develop workers' safety competency, and above all continue to develop and maintain safety culture. With Covid-19 challenges, the Company continued and successfully managed to protect our people at both workplace and at their homes, contractors, visitors and the operations. It is every employees' duty to take reasonable care of the health and safety of themselves and of others and cooperate with the organization's management to prevent injuries and ill health.

Political and charitable donations
As a matter of policy, the Company does not make political contributions.

Giving back to communities
Under the flagship of Together Creating a Change (Tunaleta Mabadiliko Pamoja), community investment program adopt a holistic and inclusive approach in the sustainable transformation of livelihoods of adult beneficiaries.

The Company supports communities directly and indirectly through partnerships with social and cultural partners by supporting programs in Poverty Alleviation, People with Disabilities (PWDs), Natural Environment, Visual & Performing Arts and Older persons.

In 2020, the Company supported People with Disabilities (PWDs) with 806 assistive devices (tricycles, White canes and Crutches) distributed to five regions; Lindi, Ruvuma, Tabora, Katavi and Rukwa. This support is vital to address multiple forms of discrimination that increased vulnerability to exclusion on the basis of disability and other factors.

The Company supported three groups of women in Kilimanjaro and Mbeya with sewing machines and sunflower oil pressing machine to empower them economically. The support provided opportunities for a better life, including jobs, incomes, and investments. The Company supported the Government to respond to the Coronavirus (Covid-19) pandemic by providing personal protective equipment.

Principal risks and uncertainties
The Company values risk management as an integral part of business operations. Risk is assessed as part of both strategic and operational decision making. The principal risks that may significantly affect the Company's strategies and development are mainly fraud, operational and financial risks. Below is a description of the fraud, operational and financial risks facing the Company:

Fraud risk
The Company could incur losses resulting from fraudulent transactions, but it has formalized Preventing Financial Crime (PFC), Know Your Customer (KYC) and Know Your Supplier (KYS) policies that are designed, implemented and strictly followed and controlled by the Chief Compliance Officer to mitigate these risk areas.

Operational risk
This is a risk resulting from the Company's activities not being conducted in accordance with formally recognized procedures including non-compliance with KYC, KYS and PFC procedures. Management ensures that the Company complies with all internal procedures.

Report of the Directors
for the year ended December 31, 2020 **(Continued)**

Principal risks and uncertainties (continued)

Financial risk
The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. More details of the financial risks facing the Company are provided in Note 29 to the financial statements.

Stock exchange information
In 2000, the Company was listed on the Dar es Salaam Stock Exchange at an initial public offering (IPO) price of TZS 410 per share. The performance of the Company's shares in the secondary market as measured by market capitalization as at December 31, 2020 was TZS 1,700 billion (2019: TZS 1,700 billion).

Related party transactions and balances
All related party transactions and balances are disclosed in Note 24 to these financial statements.

Performance for the year
The impact of COVID-19 on the trading environment, consumer incomes and spending patterns negatively impacted results for the period 2020. The overall Company volume was down by 12.2% compared to a similar period in 2019. TCC had a net profit of TZS 35.9 billion on revenue of TZS 279.4 billion equivalent to a 12.9% return on sales (2019: TZS 51.2 billion on revenue of TZS 309.8 billion equivalent to a 16.5% return on sales). Export volume declined by 23.2% contributed by the Global macroeconomic and the impact of COVID-19 which affected Company's key market of the Democratic Republic of Congo (DRC).

Revenue was TZS 279.4 billion, down 9.8% compared to a similar period in 2019 amounting to TZS 309.8 billion. This decline was driven by a 12.2% volume drop and consumer down-trading to cheaper, lower margin brands. Gross profit was TZS 150.7 billion, 14.3% lower on the corresponding period in 2019 amounting to TZS 175.9 billion. Profit before tax was TZS 54.1 billion and profit after tax was TZS 35.9 billion a decline of 30.8% and 29.9% respectively versus a similar period in 2019 with profit before tax of TZS 54.1 billion and profit after tax of TZS 35.9 billion.

The Company remain positive about 2021 due to on-going initiatives to improve the business such as elimination of route to market strategy and also Government initiatives to spur economic growth through infrastructure development and various measures to minimize the impact of COVID-19.

Tax compliance
The Company asserts that it was fully tax compliant in 2020. 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.

Dividend
During the year, the Directors declared for 2019, a final ordinary gross dividend of TZS 25 billion or TZS 250 per share (2018: TZS 25 billion or TZS 250 per share). Later in the year, the Directors declared for 2020, an interim ordinary gross dividend of TZS 25 billion or TZS 250 per share, which was paid in November 2020 (2019: TZS 30 billion or TZS 300 per share).

After year-end, the Directors have proposed the declaration of a final ordinary gross dividend of TZS 30 billion or TZS 300 per share (2019: TZS 25 billion or TZS 250 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 50 billion or TZS 500 per share (2019: TZS 55 billion or TZS 550 per share).

Business environment
The business environment is constantly evolving due to changes in the economic and regulatory environments, as well as the competitive landscape. Management therefore continuously monitors and anticipates developments that affect the business to address them and comply with applicable laws and regulations pro-actively. Management expects the business environment to remain challenging in 2021 but is well-prepared to face the challenges ahead.

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. The focus will be placed on meeting the needs of adult consumers needs building the equity of existing brands, expanding product offering, monitoring and improving the revised route's efficiency and effectiveness to market strategy, and enhancing productivity.

Cash flow projection
The Company's cash projections indicate that operations will mostly generate future cash flows. The Company expects to generate a cashflow of TZS 87.5 billion in the 2021 financial year for operational needs, capital expenditure (Capex) investments, and dividend payments.

Report of the Directors
for the year ended December 31, 2020 **(Continued)**

Over the medium-term, the Company expects to spend TZS 10.9 billion on Capex. Mainly warehousing and infrastructure improvements (TZS 1.9 billion), IT projects (TZS 1.2 billion), machinery and equipment (TZS 5.0 billion), distribution fleet, and infrastructure rejuvenation (TZS 2.8 billion).

Resources
Apart from those items that are reflected in the statement of financial position, the Company's intangible assets include the equity of its brands, the quality of its products, highly motivated employees and the strength of its wide distribution network.

Solvency
The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Directors consider the Company to be solvent within the meaning ascribed by the Companies Act, 2002.

Auditors
Deloitte & Touche have been the auditors in the current year. In accordance with Section 170 (1) of the Companies Act, 2002, a resolution proposing the appointment of auditor of the Company for financial year 2021 will be tabled at the Annual General Meeting.

Approved and authorized for issue by the Board of Directors on March 18, 2021 and signed on its behalf by:

Mr. Paul Makanza	Mr. Michal Bachan
Chairman	**Chief Executive Officer**
March 18, 2021	March 18, 2021

Statement of Director's Responsibilities

The Companies Act, 2002 (the "Act") requires the Directors to prepare financial statements for each financial year that give a true and fair view of the Company's state of affairs 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 give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Act, 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 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 Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. 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 adequate systems of internal financial control.

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

Mr. Paul Makanza	Mr. Michal Bachan
Chairman	**Chief Executive Officer**
March 18, 2021	March 18, 2021

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, 2020 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 18, 2021

Deloitte.

Deloitte & Touche
Certified Public Accountants (Tanzania)
3rd Floor, Aris House, Plot 152
Haile Selassie Road, Oysterbay
P.O. Box 1559
Dar es Salaam
Tanzania

Tel: + (255 - 22) 211 6006, 211 5352
Fax: + (255 - 22) 2600922

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 accompanying financial statements of Tanzania Cigarette Public Limited Company (the "Company"), set out on pages 49 to 88, which comprise the statement of financial position as at December 31, 2020 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 financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 National Board of Accountants and Auditors Code of Ethics which is consistent with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Tanzania. 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 judgement, 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.

We have determined that there are no key audit matters to communicate in our report.

Other Information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 2002, the Chairperson's Statement, Message from the Chief Executive Officer, Business Review and Financial Highlights. The other information does not include the financial statements and our report thereon.

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

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

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002, 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.

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.

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:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee 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.

Report on Other Legal Requirements

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

i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books; and

iii) the Company's statement of financial position (balance sheet) and the statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is E.A Harunani.

Deloitte & Touche
Certified Public Accountants (Tanzania)

______________________ 9 April 2021

Signed by: E. A. Harunani
NBAA Registration No. TACPA 1065
Dar es Salaam

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 TZS M	2019 TZS M
Revenue	6	279,354	309,771
Cost of sales		(128,622)	(133,875)
Gross profit		**150,732**	**175,896**
Marketing, selling and distribution expenses		(43,336)	(49,020)
Administration expenses		(44,689)	(40,447)
Other expenses		(10,447)	(11,949)
Other gains		744	1,768
Interest income		1,122	2,081
Interest expense		(36)	(145)
Profit before tax	7	**54,090**	**78,184**
Income tax expense	8(a)	(18,166)	(26,936)
Profit for the year		**35,924**	**51,248**
Other comprehensive (loss)/income			
Items that will not be reclassified subsequently to profit or loss:			
- Defined benefit actuarial (loss)/gain	22	(1,629)	999
- Tax credit/(expense) relating to components of other comprehensive income	8(c)	489	(300)
		(1,140)	699
Total comprehensive income for the year		**34,784**	**51,947**
Earnings per share:			
Basic and diluted (TZS per share)	9	359	512

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

	Notes	2020 TZS M	2019 TZS M
Assets			
Non-current assets			
Property, plant and equipment	11	93,555	97,754
Right-of-use assets	12	577	70
Intangible assets	13	-	-
Investment in subsidiary	14	-	-
Total non-current assets		**94,132**	**97,824**
Current assets			
Inventories	15	112,701	103,610
Trade and other receivables	16	35,494	39,131
Income tax asset	8d	540	-
Bank balances		25,139	27,771
Total current assets		173,874	170,512
Non-current assets held for sale	17	615	291
Total assets		**268,621**	**268,627**
Equity and liabilities			
Capital and reserves			
Share capital	18	2,000	2,000
Defined benefit reserve		4,732	5,872
Retained earnings		165,193	179,269
Total equity		**171,925**	**187,141**
Non-current liabilities			
Deferred tax liability	19	5,904	6,577
Defined benefit obligation	22	12,700	8,076
Lease liability	23	175	31
Total non-current liabilities		**18,779**	**14,684**
Current liabilities			
Trade and other payables	20	72,768	57,147
Provisions	21	4,979	4,922
Lease liability	23	170	4
Income tax liability	8(d)	-	4,729
Total current liabilities		**77,917**	**66,802**
Total liabilities		**96,696**	**81,486**
Total equity and liabilities		**268,621**	**268,627**

The financial statements on pages 49 to 88 were approved and authorized for issue by the Board of Directors on March 18, 2021 and were signed on its behalf by the following Directors:

Mr. Paul Makanza
Chairman

Mr. Michal Bachan
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	Share capital TZS M	Defined benefit reserve TZS M	Retained earnings TZS M	Total TZS M
At January 01, 2019		2,000	5,173	183,021	190,194
Profit for the year		-	-	51,248	51,248
Other comprehensive income		-	699	-	699
Dividend paid (2018 final and 2019 interim)	10	-	-	(55,000)	(55,000)
At December 31, 2019		**2,000**	**5,872**	**179,269**	**187,141**
At January 01, 2020		2,000	5,872	179,269	187,141
Profit for the year		-	-	35,924	35,924
Other comprehensive loss		-	(1,140)	-	(1,140)
Dividend paid (2019 final and 2020 interim)	10	-	-	(50,000)	(50,000)
At December 31, 2020		**2,000**	**4,732**	**165,193**	**171,925**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Notes	2020 TZS M	2019 TZS M
Cash flows from operating activities			
Profit before tax		54,090	78,184
Adjustments for:			
Depreciation of property, plant and equipment	7	13,182	13,496
Depreciation of right use-of-asset	7	407	10
Defined benefit expense	7	3,790	1,596
Interest expense		36	145
Interest income		(1,122)	(2,081)
Gain on disposal of property, plant and equipment	7	(529)	(1,616)
Operating profit before working capital changes		**69,854**	**89,734**
Working capital changes:			
(Increase)/decrease in inventories		(9,091)	4,611
Movement in related party balances		3,509	4,027
Decrease/(increase) in trade and other receivables		2,198	(1,792)
Increase in trade and other payables		13,551	784
Increase in provisions		57	225
Net cash generated from operations		**80,078**	**97,589**
Defined benefit paid	22	(795)	(98)
Interest received		1,122	2,081
Interest paid		(14)	(143)
Current tax paid	8(d)	(23,619)	(25,154)
Net cash generated by operating activities		**56,772**	**74,275**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(9,434)	(14,098)
Proceeds from disposal of property, plant and equipment		656	2,290
Net cash used in investing activities		**(8,778)**	**(11,808)**
Cash flows from financing activities			
Dividends paid	10	(50,000)	(55,000)
Lease rentals paid	23	(626)	(47)
Net cash used in financing activities		**(50,626)**	**(55,047)**
Net (decrease)/increase in cash and cash equivalents		(2,632)	7,420
Cash and cash equivalents at the beginning of the year		27,771	20,351
Cash and cash equivalents at the end of the year		**25,139**	**27,771**

Notes to the **Financial Statements** for the year ended December 31, 2020

1. **General information**

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, 2020

The following amendments to IFRSs, which are effective for annual periods beginning on or after January 1, 2020, have been applied in the current year and had no material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The amendments to references to the Conceptual Framework in IFRS Standards was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

Together with the revised Conceptual Framework published in March 2019, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework.

Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

Definition of a Business (Amendments to IFRS 3)

Amendments to IFRS 3 make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets.

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

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

a) New standards and amendments to published standards effective for the year ended December 31, 2020 (continued

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material'. Three new aspects of the new definition should especially be noted: • ***Obscuring.*** The existing definition only focused on omitting or misstating information, however, the Board concluded that obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1 (IAS 1.30A). • ***Could reasonably be expected to influence.*** The existing definition referred to 'could influence' which the Board felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote. • ***Primary users.*** The existing definition referred only to 'users' which again the Board feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

b) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020

IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Effective for accounting periods beginning on or after 1 January 2023
Reference to the Conceptual Framework (Amendments to IFRS 3)	Effective for accounting periods beginning on or after 1 January 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	Effective for accounting periods beginning on or after 1 January 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	Effective for accounting periods beginning on or after 1 January 2022
Annual Improvements to IFRS Standards 2018–2020	Effective for accounting periods beginning on or after 1 January 2022
Covid-19-Related Rent Concessions (Amendment to IFRS 16)	Effective for accounting periods beginning on or after 1 June 2020
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Effective for accounting periods beginning on or after 1 June 2021

c) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020

IFRS 17 Insurance Contracts
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts.

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

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

IFRS 17 is effective for accounting periods beginning on or after 1 January 2023 and is expected to have significant impact on the financial statements. The Directors are still assessing impact of IFRS 17 to the financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendment to IAS 1 is effective for accounting periods beginning on or after 1 January 2023 and is not expected to have significant impact on the financial statements.

Reference to the Conceptual Framework (Amendments to IFRS 3)
The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

The amendment is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the 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 recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment to IAS 16 is effective for accounting periods beginning on or after 1 January 2022 and due to the manure of the Company, is not expected to have significant impact on the financial statements.

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendment to IAS 37 is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

Annual Improvements to IFRS Standards 2018–2020
The Annual Improvements to IFRS Standards 2018–2020 makes amendments to the following standards:

- **IFRS 1** – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- **IFRS 9** – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- **IFRS 16** – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The amendment to above standards is effective for accounting periods beginning on or after 1 January 2022 and is not expected to have significant impact on the financial statements.

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

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

C. Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2020 (continued)

Covid-19-Related Rent Concessions (Amendment to IFRS 16)
The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

Amendment to IFRS 16 is effective for accounting periods beginning on or after 1 June 2020. The Directors are still assessing impact of IFRS 16 to the financial statements.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
The amendments in Interest Rate Benchmark Reform —Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendment to above standards is effective for accounting periods beginning on or after 1 January 2021 and is not expected to have significant impact on the financial statements.

d) Early adoption of standards
The Company did not early-adopt any new or amended standards in the year ended December 31, 2020.

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.

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

3. Significant accounting policies (continued)

Revenue recognition (continued)

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.

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 22 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.

Taxation

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

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

3. Significant accounting policies (continued)

Taxation (continued)

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.

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.

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

3. Significant accounting policies (continued)

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 (2019: TZS 12,447).
- Cigarettes with filter tip and containing domestic tobacco exceeding 75% is TZS 29,425 per 1,000 cigarettes (2019: TZS 29,425).
- Other cigarettes not mentioned in first and second bullet above is TZS 55,897 per 1,000 cigarettes (2019: 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.

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.

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

3. Significant accounting policies (continued)

Leases (continued)

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 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 lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts 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.

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.

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

3. Significant accounting policies (continued)

Property, Plant and Equipment (continued)

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.

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.

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.

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

3. Significant accounting policies (continued)

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.

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 financials 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 and at FVTOCI.

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

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

3. Significant accounting policies (continued)

Financial instruments (continued)

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) mpairment 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.

i) Initial Recognition and measurement

Financial liabilities

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.

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
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.

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.

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

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

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

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.

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.

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 22 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 89 percent (2019: 89 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, LD, Club, Embassy, Portsman, Sweet Menthol, Safari and Crescent & Star.

Export markets include Democratic Republic of Congo and Mozambique. The export brands include Camel, Winston, Monte Carlo and LD. Export markets reported revenue of 8 percent of the combined revenue (2019:11 percent).

Information about transactions with major customers

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

	2020 TZS M	2019 TZS M
Revenue from top ten customers	179,756	215,453

The domestic segment has about 1000 active customers.

Notes to the **Financial Statements** for the year ended December 31, 2020**(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	
	2020 TZS M	2019 TZS M	2020 TZS M	2019 TZS M
Domestic Market	245,653	262,487	150,390	174,196
Export Market	33,701	47,284	342	1,700
	279,354	**309,771**	**150,732**	**175,896**
Marketing, selling & distribution expenses:				
- Export market			(8,329)	(10,064)
- Domestic market			(35,007)	(38,956)
Administration expenses			(44,689)	(40,447)
Other expenses			(10,447)	(11,949)
Other gains			744	1,768
Interest income			1,122	2,081
Interest expense			(36)	(145)
Profit before tax			**54,090**	**78,184**
Segment assets				
Property, plant and equipment			93,555	97,754
Right-of-use assets			577	70
Total segment non-current assets			**94,132**	**97,824**
Inventories			112,701	103,610
Income tax asset			540	-
Trade and other receivables			35,494	39,131
Non-current asset held -for-sale			615	291
Cash and cash equivalents			25,139	27,771
Total segment current assets			**174,489**	**170,803**
Total assets			**268,621**	**268,627**
Segment liabilities				
Deferred tax liability			5,904	6,577
Defined benefit obligation			12,700	8,076
Lease liabilities			175	31
Total segment non-current liabilities			**18,779**	**14,684**
Trade and other payables			72,768	57,147
Provisions			4,979	4,922
Lease liabilities			170	4
Income tax liability			-	4,729
Total segment current liabilities			**77,917**	**66,802**
Total liabilities			**96,696**	**81,486**

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

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

5. Operating segments (continued)

Other segment information

	Depreciation and amortization		Additions to non-current assets	
	2020 TZS M	2019 TZS M	2020 TZS M	2019 TZS M
Building	1,411	1,464	429	697
Plant and machinery	8,667	9,626	4,112	2,564
Other equipment	1,118	1,079	1,075	649
Motor vehicles	1,986	1,327	1,253	4,523
Capital work in progress	-	-	2,565	5,665
Total	**13,182**	**13,496**	**9,434**	**14,098**

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

	2020 TZS M	2019 TZS M
Embassy	37,518	37,614
Club	62,413	99,941
Portsman	46,524	47,036
Sweet Menthol	28,873	26,739
Safari	2,346	3,450
Others	195,442	47,707
	373,116	**262,487**

6. **Revenue**

Revenue from sale of cigarettes	**279,354**	**309,771**

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

7. Profit before tax

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

	2020 TZS M	2019 TZS M
Key management and Directors' emoluments	2,441	4,040
Depreciation of property, plant and equipment	13,182	13,496
Depreciation of right use-of-asset	407	10
Technical and management service fees	13,865	13,394
Auditor's remuneration	265	299
Donations	202	325
Insurance proceeds	(135)	(29)
Gain on disposal of property, plant and equipment	(529)	(1,616)
Foreign exchange loss	1,067	673
Employee benefits:		
Short term benefits:		
- Salaries	28,292	23,482
- Bonus	4,822	4,881
- Fringe benefits	5,351	5,982
- Vacation benefits	1,866	1,761
- Restructuring costs	-	2,121
- Other staff costs	243	1,119
Long term benefits:		
- Defined benefit expense	3,790	1,596
- NSSF and PSSSF contributions	3,613	2,626
Other statutory contributions:		
- Skills and Development Levy (SDL)	1,332	1,449
- Workers Compensation Fund (WCF)	172	262
Total employee benefits	**49,481**	**45,279**

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

8. Income tax

	2020 TZS M	2019 TZS M
(a) Tax expense		
Current tax - current year at 30%	17,060	25,897
- prior year under provision	1,290	2,119
	18,350	**28,016**
Deferred taxation - current year credit	(191)	(268)
- prior year under/(over) provision	7	(812)
	(184)	(1,080)
	18,166	**26,936**
Tax expense represents the sum of current tax and deferred tax.		
(b)Reconciliation of accounting profit to income tax expense		
Profit before tax	**54,090**	**78,184**
Tax charge at 30%	16,227	23,455
Income not subject to tax	(18)	(23)
Effect of disallowable expenditure	660	2,197
Current tax relating to prior years	1,290	2,119
Prior years (under)/over provision of deferred tax	7	(812)
Tax expense	18,166	26,936
(c) Tax (credit)/expense on other comprehensive income		
Deferred tax (credit)/expense - Defined benefit plan actuarial (loss)/gain	(489)	300
(d) Current income tax (asset)/liability		
At beginning of the year	4,729	1,867
Charge for the year (Note 8(a))	18,350	28,016
Current tax paid	(23,619)	(25,154)
Balance at end of year	**(540)**	**4,729**

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

9. 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.

	2020 TZS M	2019 TZS M
Profit for the year attributable to ordinary shareholders (TZS M)	35,924	51,248
Weighted average number of ordinary shares in issue (million)	100	100
Earnings per share (TZS)	359	512

There were no potential dilutive shares outstanding at December 31,2020 and at December 31,2019.

10. Dividends

	2020 TZS M	2019 TZS M
Prior year final dividend	25,000	30,000
Current year interim dividend	25,000	25,000
Total	**50,000**	**55,000**
Number of ordinary shares in issue (million)	100	100
Dividend per share (TZS)	500	550

During the year, the Directors declared for 2019, a final ordinary gross dividend of TZS 25 billion or TZS 250 per share (2018: TZS 25 billion or TZS 250 per share). Later in the year, the Directors declared for 2020, an interim ordinary gross dividend of TZS 25 billion or TZS 250 per share, which was paid in November 2020 (2019: TZS 25 billion or TZS 250 per share).

The Directors propose a final ordinary gross dividend of TZS 30 billion or TZS 300 per share (2019: TZS 25 billion or TZS 250 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 50 billion or TZS 500 per share (2019: TZS 55 billion or TZS 550 per share).

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

11. Property, plant and equipment

	2020 TZS M	2019 TZS M
Cost	221,919	209,178
Accumulated depreciation	(128,364)	(111,424)
	93,555	**97,754**
Net book value		
Buildings	29,698	30,673
Plant and machinery	50,695	52,142
Other equipment	3,527	3,436
Motor vehicles	5,641	6,243
Capital work in progress	3,994	5,260
	93,555	**97,754**

	Buildings TZS M	Plant and machinery TZS M	Other equipment TZS M	Motor vehicles TZS M	Capital work in progress TZS M	Total TZS M
Cost						
At January 1, 2019	42,921	133,824	12,114	11,871	6,170	206,900
Additions	697	2,564	649	4,523	5,665	14,098
Transfers in/(out)	1,245	4,044	851	-	(6,575)	(435)
Disposals	(162)	(7,475)	(149)	(3,599)	-	(11,385)
At December 31, 2019	**44,701**	**132,957**	**13,465**	**12,795**	**5,260**	**209,178**
Additions	429	4,112	1,075	1,253	2,565	9,434
Transfers in/(out)	(29)	3,108	116	131	(3,831)	(505)
Disposals	(625)	-	(373)	(581)	-	(1,579)
Adjustment	-	5,391	-	-	-	5,391
At December 31, 2020	**44,476**	**145,568**	**14,283**	**13,598**	**3,994**	**221,919**
Accumulated depreciation						
At January 1, 2019	12,765	78,068	9,126	8,824	-	108,783
Charge for the year	1,464	9,626	1,079	1,327	-	13,496
Transfers in/(out)	(117)	-	(27)	-	-	(144)
Eliminated on disposals	(84)	(6,879)	(149)	(3,599)	-	(10,711)
At December 31, 2019	**14,028**	**80,815**	**10,029**	**6,552**	**-**	**111,424**
Charge for the year	1,411	8,667	1,118	1,986	-	13,182
Transfers in/(out)	(162)	-	(19)	-	-	(181)
Eliminated on disposals	(499)	-	(372)	(581)	-	(1,452)
Adjustment	-	5,391	-	-	-	5,391
At December 31, 2020	**14,778**	**94,873**	**10,756**	**7,957**	**-**	**128,364**
Net book value						
At December 31, 2020	**29,698**	**50,695**	**3,527**	**5,641**	**3,994**	**93,555**
At December 31, 2019	**30,673**	**52,142**	**3,436**	**6,243**	**5,260**	**97,754**

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

11.Property, plant and equipment (continued)

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 3,236 million (2019: TZS 19,155 million) which are fully depreciated and whose normal depreciation charge would have been TZS 262 million (2019: TZS.1,652 million).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.

Net transfer out of property, plant and equipment relates to assets classified as held for sale under Note 17.

12.Right-of-use assets

	TZS M 2020	TZS M 2019
Cost		
At January 1, 2020	80	0
Present value of lease rentals as per IFRS 16 on initial recognition	-	80
Additions	914	-
At 31 December 2020	**994**	**80**
Accumulated depreciation		
At January 1, 2020	10	-
Charge for the year	407	10
At December 31, 2020	**417**	**10**
Net book value	**577**	**70**

Right of use asset comprises leased office space for various regional branches.

The Company has leasehold land from the Government of Tanzania under title number 14870 located on plot No 20 and 21, Nyerere Road, Dar es Salaam. The tenor of the land lease is for 99 years from 1962. The carrying value of the land as at reporting date was immaterial.

13. Intangible assets

	2020 TZS M	2019 TZS M
Cost	2,646	2,646
Amortization		
At beginning of the year	2,646	2,646
Charge for the year	-	-
At end of the year	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, 2020**(Continued)**

	2020 TZS M	2019 TZS M
14. Investment in subsidiary		
TCC (Kenya) Limited	534	534
Allowance for impairment	(534)	(534)
	-	-

Investment in subsidiary represents the shares held in TCC (Kenya) Limited, a wholly owned subsidiary, which is incorporated in Kenya under the Kenyan Companies Act. The principal activities of the subsidiary are the importation, distribution and wholesaling of tobacco products. However, the Company has not been trading since December 31, 2002 and full impairment provision on the investment has been made in the financial statements.

The Company has determined that the investment is not material and has no impact to 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.

	2020 TZS M	2019 TZS M
15. Inventories		
Raw materials	82,670	74,103
Work in progress	537	442
Consumable stores	5,513	4,950
Goods in transit	1,004	865
Finished goods	24,261	24,262
	113,985	**104,622**
Allowance for obsolete inventories	(1,284)	(1,012)
	112,701	**103,610**
Inventories carried at net realizable value below cost	-	-

No inventory has been pledged as collateral for liabilities.

	2020 TZS M	2019 TZS M
16. Trade and other receivables		
Trade receivables	28,247	31,294
Amounts due from related companies (Note 24(ii))	1,107	2,546
Prepayments and other receivables	6,725	5,779
	36,079	**39,619**
Expected credit loss provision	(585)	(488)
	35,494	**39,131**
Movement in the expected credit loss provision:		
At the beginning of the year	488	1,471
Amounts recovered during the year	(18)	(1,375)
Increase in allowance during the year	115	392
At the end of the year	**585**	**488**

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

17. Non-current assets held-for-sale

Non-current asset held-for-sale (Note 11)	**615**	**291**

As at reporting date, the Directors had resolved to dispose two buildings located in Masaki, Dar es Salaam and negotiations with several interested parties were ongoing. The buildings, which are expected to be sold within 12 months, has been classified as non-current asset held for sale and presented separately in the statement of financial position. The proceeds of disposal are expected to substantially exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these assets as held for sale.

18. Share capital

	2020 TZS M	2019 TZS M
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:

	2020 Ordinary Shares Million in %	2019 Ordinary Shares Million in %
Resident shareholders:		
General public	5.6	6.7
Public Service Social Security Fund	4.7	4.7
The United Republic of Tanzania	2.2	2.2
Umoja Unit Trust Scheme	0.3	-
TCCIA investment Company Limited	0.3	-
Allan Gray Africa EX-SA Equity Fund Limited	0.3	-
Sayed H. Kadri&/or Basharat Kadri&/or Mehboob&/or Khalid &/or Muzammil Kadri	0.2	-
	13.6	**13.6**
Non-resident shareholders:		
JT International Holding B.V.	75.0	75.0
Kingsway Fund	10.3	10.3
Neon Liberty Emerging Markets Fund	0.6	0.6
Cavenham Private Equity and Directs	0.5	0.5
	86.4	**86.4**
Total ordinary shares in issue	**100**	**100.0**

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

19. Deferred tax liability

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

	2020 TZS M	2019 TZS M
The net deferred tax liability is attributable to the following:		
Accelerated capital allowances	12,299	12,079
Provisions	(2,585)	(3,080)
Defined benefit obligation provision	(3,810)	(2,422)
	5,904	**6,577**

The movement on the deferred tax account is as follows:

2020:	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	12,079	220	-	12,299
- Provisions and other temporary differences	(3,080)	495	-	(2,585)
- Defined benefit obligation	(2,422)	(899)	(489)	(3,810)
	6,577	**(184)**	**(489)**	**5,904**

2019:	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	11,687	392	-	12,079
- Provisions and other temporary differences	(2,057)	(1,023)	-	(3,080)
- Defined benefit obligation	(2,273)	(449)	300	(2,422)
	7,357	**(1,080)**	**300**	**6,577**

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

	2020 TZS M	2019 TZS M
20. Trade and other payables		
Trade payables	8,009	8,394
Amounts due to related companies (Note 24(ii))	7,121	5,051
Excise duty and VAT payable	14,898	14,715
Other duties and taxes payable	10,862	10,929
Customer deposits	9,198	8,957
Trade allowance payable	506	1,303
Restructuring liability	848	1,189
Dividends payable	2,089	2,179
Other liabilities and accruals*	19,237	4,430
	72,768	**57,147**

* Other payables and accruals includes advances made by prospective customers of the Company's property held for sale, contributions payable to National Social Security Fund and accruals for goods and services received at year end but not invoiced.

21. Provisions

Bonus provision	4,578	4,482
Provision for leave pay	401	440
	4,979	**4,922**

2020:	Opening balance TZS M	Utilized/ reversed TZS M	Raised TZS M	Closing balance TZS M
Bonus provision	4,482	(4,482)	4,578	4,578
Provision for leave pay	440	(440)	401	401
	4,922	**(4,922)**	**4,979**	**4,979**

2019:	Opening balance TZS M	Utilized/ reversed TZS M	Raised TZS M	Closing balance TZS M
Bonus provision	4,250	(4,250)	4,482	4,482
Provision for leave pay	447	(447)	440	440
	4,697	**(4,697)**	**4,922**	**4,922**

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

22. Retirement benefits

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, 2020, the Company's contributions to the funds amounted to TZS 3,613 million (2019: TZS 2,626 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, 2020 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:

	2020 Percentage	2019 Percentage
Discount rate	11.5	14.5
Salary inflation	7.2	8.0
Cost of living increase	4.2	5.0

Amount recognized in statement of profit or loss and other comprehensive income in respect of this defined benefit obligation:	2020 TZS M	2019 TZS M
- Current service cost	554	448
- Past service cost	1,788	-
- Interest cost	1,448	1,148
- Actuarial loss/(gain) recognized in other comprehensive income	1,629	(999)
Net charge for the year	**5,419**	**597**
The movement in the Company retirement benefit obligation was as follows: -		
Opening defined benefit obligation	8,076	7,577
Current service cost	554	448
Past service cost	1,788	-
Interest cost	1,448	1,148
Actuarial loss/(gain) recognized	1,629	(999)
Benefits paid	(795)	(98)
Closing defined benefit obligation	**12,700**	**8,076**

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

22. Retirement benefits (continued)

Sensitivities

Salary rate sensitivity

	Central Scenario	0.5% Increase	0.5% Decrease
	7.20% TZS M	7.70% TZS M	6.70% TZS M
Defined benefit obligation	12,700	13,346	12,104
Gross service costs excluding interest	805	863	754
Expense / net interest cost	1,505	1,586	1,430
% change in defined benefit obligation		5.09%	-4.69%
% change in gross service costs		7.16%	-6.40%
% change in expense / net interest cost		5.38%	-4.95%

d) Discount rate sensitivity

	Central Scenario	0.5% Increase	0.5% Decrease
	11.50% TZS M	12.00% TZS M	11.00% TZS M
Defined benefit obligation	12,700	12,104	13,311
Gross service costs excluding interest	805	754	862
Expense / net interest cost	1,505	1,492	1,513
% change in defined benefit obligation		-4.69%	4.81%
% change in gross service costs		-6.40%	6.98%
% change in expense / net interest cost		-0.81%	0.53%

23. 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.

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

23. Lease liability (continued)

	2020 TZS M	2019 TZS M
Maturity analysis:		
Due within 1 year	171	4
Due in more than 1 year and no later than 2 years	158	4
Due in more than 2 years	32	37
	361	45
Less: Discount (unearned interest)	(16)	(10)
Present value of lease liability	345	35
Classification:		
Current	170	4
Non-current	175	31
	345	35
Movement:		
At 1 January	35	-
Present value of lease rentals as per IFRS 16 on initial recognition	914	80
Interest expense	22	2
Lease rentals paid	(626)	(47)
At 31 December	345	35

24. 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 13,865 million (2019: TZS 13,394million).

Other transactions with related parties

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

24. Related party transactions and balances (continued)

Other transactions with related parties

i. Purchase and sales of goods and services

	2020 TZS M	2019 TZS M
Purchases from related parties		
JTI Leaf Services Limited*	18,754	15,983
JT International Holding B.V**	10,009	10,776
JT International SA**	20,343	15,243
JT International Germany GmbH*	1,136	-
JTI Tutun Urunleri Sanayi A.S. *	46	29
PJSC "JT International Ukraine"*	371	84
JTI Services Switzerland SA*	4,572	4,642
JT International South Africa (Pty) Limited*	6,169	7,891
JT International Business Services*	715	721
JTI (Jordan) Manufacturing Ltd. Co. Limited *	-	22
JTI Polska Sp. z o.o.*	4	-
JT International Manufacturing S.A. *	-	13
JTI Cigarette*	(278)	-
JTI Leaf Zambia Limited*	208	246
	62,049	55,650
Sales to related parties		
JT International SA**	2,788	2,158
JTI Habanera Limited*	26	24
JTI La Tabacalera S.A. *	-	216
JTI Leaf Zambia Limited*	(8)	952
	2,806	3,350

ii. Related party balances

	2020 TZS M	2019 TZS M
Payables to related parties (Note 20)		
JTI Leaf Services Ltd*	455	-
JT International South Africa (Pty) Limited*	959	1,013
JT International S.A**	3,681	3,358
JTI Tutun Urunleri Sanayi A.S. *	-	9
PJSC "JT International Ukraine"*	15	20
JTI Services Switzerland SA*	358	376
JTI Cigarette Khartoum Limited*	-	275
JTI Leaf Zambia Limited*	50	-
JT International Holding B.V. **	1,603	-
	7,121	5,051
Receivable from related parties (Note 16)		
JT International S.A**	498	1,725
JTI Leaf Zambia Limited*	-	137
JTI Habanera Limited*	217	125
JT International South Africa (Pty) Limited*	--	380
JT International AD Senta*	50	49
JTI Leaf Services Limited*	342	130
	1,107	2,546

*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, 2020**(Continued)**

24. 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:

	2020 TZS M	2019 TZS M
Key management remuneration	2,422	4,030
Non-executive Directors emoluments	19	10
	2,441	4,040

25. Commitments

i. Capital commitments

	2020 TZS M	2019 TZS M
Authorized but not contracted for	8,988	14,021
Authorized and contracted for	8,969	16,706
	17,957	30,727

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, 2020, the Company had a commitment for purchase of leaf tobacco totalling TZS 6,477 million (2019: TZS 7,890 million).

26. Contingent liabilities

The Company is currently involved in a number of commercial and labour in the courts of Law. However, no contingent liabilities have been disclosed in these financial statements because in the opinion of the Directors, the amounts, which are probable to be incurred by the Company in the event that it losses the related cases, are not likely to be material.

27. Bank overdraft and other facilities

The Company had an overdraft facility with Standard Chartered Bank (Tanzania) Limited up to a limit of TZS 3,000,000,000 in order 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 and repayable monthly (minimum price floor of 6.2%). As at December 31, 2020 and during the year, there were no drawdowns made by the Company on this facility (2020: 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 29,339,866,347.00 with commission on bank guarantee charged at 0.8% p.a.

28. 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.

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, 2020 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 TZS M	Loss allowance TZS M	Net carrying amount TZS M
Trade receivables	N/A	Performing	Lifetime ECL	28,247	(585)	27,662
Amounts due from related companies	N/A	Performing	Lifetime ECL	1,107	-	1,107
Bank balances	Fitch	Performing	Lifetime ECL	25,139	-	25,139
Total credit exposure				54,493	(585)	53,908

The amount that best represents the Company's maximum exposure to credit risk as at December 31, 2019 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 TZS M	Loss allowance TZS M	Net carrying amount TZS M
Trade receivables	N/A	Performing	Lifetime ECL	31,294	(488)	30,806
Amounts due from related companies	N/A	Performing	Lifetime ECL	2,546	-	2,546
Bank balances	Fitch	Performing	Lifetime ECL	27,771	-	27,771
Total credit exposure				61,123	(488)	61,123

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.

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

28. Financial risk management objectives and policies (continued)

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.

Maturity analysis for financial liabilities as at December 31, 2020 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	8,009	-	-	-	8,009
Amounts due to related companies	7,121	-	-	-	7,121
	15,130	-	-	-	15,130

Maturity analysis for financial liabilities as at December 31, 2019 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	8,394	-	-	-	8,394
Amounts due to related companies	5,051	-	-	-	5,051
	13,445	-	-	-	13,445

Maturity analysis for financial assets as at December 31, 2020 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 (net)	27,662	-	-	-	27,662
Amount due from related companies	1,107	-	-	-	1,107
Cash and bank balances	25,139	-	-	-	25,139
Total	53,908	-	-	-	53,908

Maturity analysis for financial assets as at December 31, 2019 showing the remaining contractual maturities:

	<1 month TZS M	1 - 5 month TZS M	5 -12 months TZS M	> 1 year TZS M	Total TZS M
Trade receivables (net)	30,806	-	-	-	30,806
Amount due from related companies	2,546	-	-	-	2,546
Cash and bank balances	27,771	-	-	-	27,771
Total	61,123	-	-	-	61,123

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

28. 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 1,122 million (2019: TZS 2,081 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.

At December 31, 2020, 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 483 million (2019: TZS 313 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, 2020 are as follows:

	2020 TZS M	2019 TZS M
Cash and bank balances in USD	3,577	6,158
Trade and other receivables in USD	16,386	15,810
Trade and other payables in USD	(10,296)	(15,701)
Open position	**9,667**	**6,267**

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

28. Financial risk management objectives and policies (continued)

Financial instruments categorization

As at December 31, 2020	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	Financial assets at fair value through profit or loss TZS M	Financial assets at fair value through OCI TZS M	Total TZS M
Assets						
Non-current assets						
Property, plant and equipment	-	-	93,555	-	-	93,555
Right-of-use assets	-	-	577	-	-	577
	-	-	94,132	-	-	94,132
Current assets						
Inventories	-	-	112,701	-	-	112,701
Income tax receivable	-	-	540	-	-	540
Trade and other receivables	28,769	-	6,725	-	-	35,494
Non-current asset held -for-sale	-	-	615	-	-	615
Bank balances	25,139	-	-	-	-	25,139
Total assets	**53,908**	**-**	**214,713**	**-**	**-**	**268,621**
Equity and liabilities						
Capital and reserves						
Share capital	-	-	2,000	-	-	2,000
Retained earnings	-	-	165,193	-	-	165,193
Defined benefit reserve	-	-	4,732	-	-	4,732
	-	-	171,925	-	-	171,925
Non-current liabilities						
Deferred tax liability	-	-	5,904	-	-	5,904
Defined benefit obligation	-	-	12,700	-	-	12,700
Lease liabilities	-	-	175	-	-	175
	-	-	18,779	-	-	18,779
Current liabilities						
Trade and other payables	-	15,130	57,638	-	-	72,768
Provisions	-	-	4,979	-	-	4,979
Lease liabilities	-	-	170	-	-	170
Income tax liability	-	-	-	-	-	-
	-	15,130	62,787	-	-	77,917
	-	**15,130**	**253,491**	**-**	**-**	**268,621**

Notes to the **Financial Statements**
for the year ended December 31, 2020**(Continued)**

28. Financial risk management objectives and policies (continued)

Financial instruments categorization (continued)

As at December 31, 2019	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	Financial assets at fair value through profit or loss TZS M	Financial assets at fair value through OCI TZS M	Total TZS M
Assets						
Non-current assets						
Property, plant and equipment	-	-	97,754	-	-	97,754
Right-of-use assets	-	-	70	-	-	70
	-	-	97,824	-	-	97,824
Current assets						
Inventories	-	-	103,610	-	-	103,610
Trade and other receivables	33,352	-	5,779	-	-	39,131
Non-current asset held -for-sale	-	-	291	-	-	291
Bank balances	27,771	-	-	-	-	27,771
Total assets	**61,123**	**-**	**207,504**	**-**	**-**	**268,627**
Equity and liabilities						
Capital and reserves						
Share capital	-	-	2,000	-	-	2000
Retained earnings	-	-	179,269	-	-	179,269
Defined benefit reserve	-	-	5,872	-	-	5,872
	-	-	187,141	-	-	187,141
Non-current liabilities						
Deferred tax liability	-	-	6,577	-	-	6,577
Defined benefit obligation	-	-	8,076	-	-	8,076
Lease liabilities	-	-	31	-	-	31
	-	-	14,684	-	-	14,684
Current liabilities						
Trade and other payables	-	13,445	43,702	-	-	57,147
Provisions	-	-	4,922	-	-	4,922
Lease liabilities			4	-	-	4
Income tax liability	-	-	4,729	-	-	4,729
	-	13,445	53,357	-	-	66,802
	-	**13,445**	**255,182**	**-**	**-**	**268,627**

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

29. 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 2020.

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

	2020 TZS M	2019 TZS M
Share capital	2,000	2,000
Defined benefit actuarial gains	4,732	5,872
Retained earnings	165,193	179,269
Equity	**171,925**	**187,141**

As at December 31, 2020 the Company was not financed by any debt (2019: NIL).

30. 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).

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, 2020 (2019: 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.

Notes to the **Financial Statements** for the year ended December 31, 2020**(Continued)**

31. Functional and presentation currency

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

32. Comparative figures

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

33. 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.

34. Incorporation

The Company is incorporated in Tanzania under the Companies Act, 2002 and domiciled in Tanzania.

35. Ultimate parent company

The holding Company is JT International Holding B.V, a Company domiciled in the Netherlands. The ultimate parent Company is Japan Tobacco Inc., a Company incorporated under the Commercial Code of Japan pursuant to the Japan Tobacco Inc. Law.

Tanzania Cigarette Public Limited Company

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TANZANIA CIGARETTE PUBLIC LIMITED COMPANY

Registered office

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