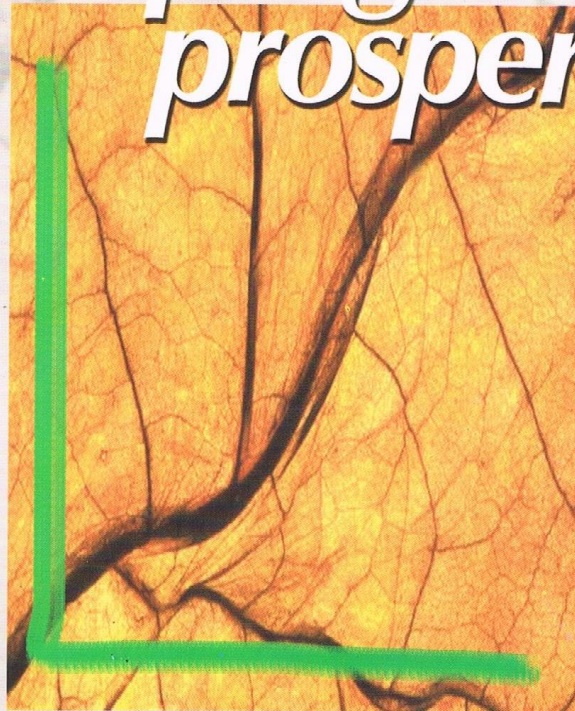


TCC

*progress &  
prosperity*



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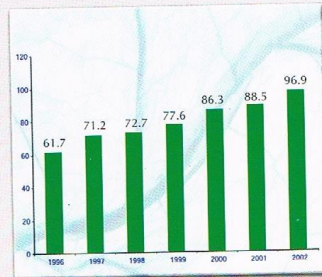
Tanzania Cigarette Company Limited

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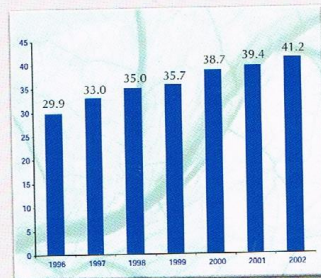
## HIGHLIGHTS FOR 2002

Sales turnover 1996 - 2002 (Tsh. billion)



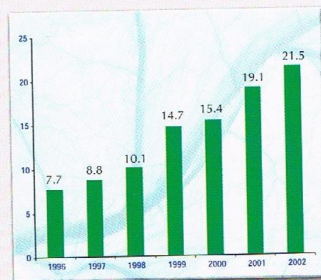
Sales turnover up by Tsh. 8.4 billion or 9.5% from Tsh. 88.5 billion in 2001 to Tsh. 96.9 billion in 2002.

Excise duty and VAT 1996 - 2002 (Tsh. billion)



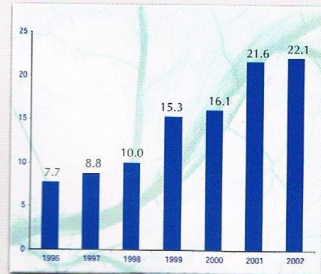
Tax payments in the form of Excise Duty and VAT up by Tsh. 1.7 billion or 4.4% from Tsh. 39.4 billion in 2001 to Tsh. 41.2 billion in 2002.

Operating profits 1996 - 2002 (Tsh. billion)



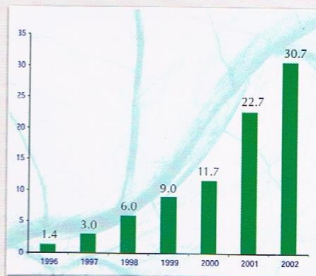
Operating profits up by Tsh. 2.4 billion or 12.6% from Tsh. 19.1 billion in 2001 to Tsh. 21.5 billion in 2002.

### Profits before tax 1996 - 2002 (Tsh. billion)



Profits before tax up by Tsh. **0.5 billion** or **2.3%** from Tsh. **21.6 billion** in 2001 to Tsh. **22.1 billion** in 2002.

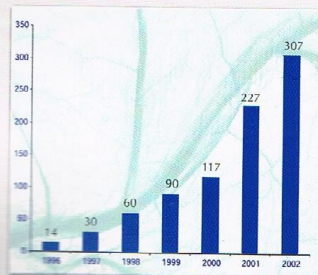
### Dividends declared 1996 - 2002 (Tsh.)



Dividends declared up by Tsh. **8.0 billion** or **35.2%** from Tsh. **22.7 billion** for 2001 to **30.7 billion** for 2002.

Note:  
 FY 2001: Ordinary Tsh. 14.7 billion; Special Tsh. 8.0 billion.  
 FY 2002: Ordinary Tsh. 14.7 billion; Special Tsh. 16.0 billion.

### Dividends per share 1996 - 2002 (Tsh.)



Dividends per share up by Tsh. **80** or **35.2%** from Tsh. **227** for 2001 to Tsh. **307** for 2002.

Note:  
 FY 2001: Ordinary Tsh. 147; Special Tsh. 80.  
 FY 2002: Ordinary Tsh. 147; Special Tsh. 160.

## CHAIRMAN'S STATEMENT

March 13, 2002  
Dar es Salaam

### Dear Shareholders,

I am pleased to report another year of solid performance for the company. It is the seventh successive year of consistent growth of sales and operating profits for the company since privatization in December 1995. Your company has continued to be a significant contributor to Tanzania's economic progress.

I wish to share with you the company's performance to December 31, 2002, and management's plans and the company's prospects for 2003.



### Performance for the year

Turnover, operating profits, tax contributions to the Government and dividend payments have all increased from the previous year.

Turnover increased by 9.5% to Tsh. 96.9 billion in 2002 from Tsh. 88.5 billion in 2001. Group Operating Profits rose to Tsh. 21.5 billion, up 12.6% from Tsh 19.1 billion in 2001. This performance has been driven by a strong recovery in sales volumes, improved brand mix, pricing and cost efficiencies in the second half of 2002.

Profits before tax have risen in 2002 to Tsh. 22.1 billion, up from Tsh. 21.6 billion in 2001. Profits after tax of Tsh. 21.1 billion have been impacted by non-cash deferred tax provisions relating to our wholly owned subsidiary TCC (Kenya) Limited and the early adoption of Tanzania Accounting Standard 29.

Our strong performance has benefited both the Government and Shareholders. In addition to substantial import, payroll and other indirect taxes, the company contributed a record Tsh. 41.2 billion in excise duties and VAT, up from Tsh. 39.4 billion in 2001. This is equivalent to 4% of the estimated Government's recurrent revenue budget for 2002/03.

Total dividend per share for 2002 is at a record high of Tsh. 307 compared to Tsh. 227 for 2001, an increase of 35.2%. Of the total dividend of Tsh. 307 per share, Tsh. 143 per share was paid as an interim and special dividend in September 2002. This leaves a gross dividend of Tsh. 164 per share (Tsh. 156 per share net of withholding taxes) to be paid in April 2003 after shareholders' approval at the Company's Annual General Meeting.

Since its listing on the Dar-es-Salaam Stock Exchange (DSE) on 16 November 2000, the company has declared total dividends of Tsh. 651 per share, the highest amongst all the listed companies on the DSE.

**CHAIRMAN'S STATEMENT (continued)****Plans for the coming year**

Looking ahead, the key challenges for 2003 will be to grow our domestic business from a high share of market whilst consolidating our significant gains in the export markets. Further improvements in cost efficiencies will be equally important. Effective, efficient and timely implementation of our strategies and plans will be critical to achieving our business objectives and continued growth and profitability. We have put in place plans to address these three key challenges. I want to briefly share these with you.

**Growing our domestic business**

Building our brand equity and enhancing the effectiveness and efficiency of our domestic distribution network, whilst fighting contraband and counterfeit of our products will be the key drivers for further growth in the domestic market.

We will seek to strengthen our brand portfolio and positioning with credible brands in new consumer segments. We will also seek to increase our share of mind and marketing visibility throughout the country within the confines of the new Tobacco Regulations Control Act 2003.

In addition, we will re-align our domestic distribution network to increase product availability throughout the country. This includes putting in place appropriate marketing infrastructure and resources, enhancing our dealer education campaign on the benefits of distribution and leveraging technology to gather marketing intelligence and formulate effective marketing programs.

Furthermore, we will work closely with relevant Government Agencies to step up the fight against contraband and counterfeit of our products, which threaten to undermine our brand equity and intellectual property, legal sales of cigarettes and Government revenues.

**Growing our export business**

During the year 2002, we refocused our export business in markets with significant long-term growth opportunities. These include Mozambique and the Democratic Republic of Congo. Export sales are showing a significant upward trend. This indicates that our export strategies are working well. We will invest more resources to develop and support this business.

**Enhancing cost efficiencies**

In addition to growing our top line, we will seek to further improve on cost efficiencies throughout the organisation. Our parent, JTI, has launched a global Enterprise Resource Planning (ERP) initiative to reduce costs while improving information quality and efficiency. Implementation in some of our sister factories has started and will be rolled out to other JTI markets, including Tanzania, during 2003 and 2004. Preparations for ERP implementation at TCC will begin in the first half of 2003.

## **CHAIRMAN'S STATEMENT (continued)**

### **Enhancing the quality of our human capital**

Plans and strategies are important, but it is the people who deliver on these. We will enhance the capacity of our human resources to deliver on plans and strategies more efficiently, effectively and expeditiously. We will do this through appropriate training and skills transfer, retaining and rewarding our best performers, recruiting the best candidates for the right jobs and improving the welfare and working environment of our employees.

### **Promoting sustainable development**

As a socially responsible company, we embrace the concept of sustainable development and seek to better understand and address Environmental, Health and Safety (EHS) issues across all our operations. Our employees expect that every effort is made to safeguard their health and safety. The general public and our customers expect us to be ethical and responsible and investors and shareholders expect assurance on not only financial matters, but on environmental and social issues, to ensure a sustainable future for our company. Our parent, JTI, has launched a worldwide Environmental, Health and Safety (EHS) initiative precisely to address these issues. Implementation across all markets, including Tanzania, will start in the second half of 2003.

### **Prospects for 2003**

I must however caution that the outlook for 2003 is marked with a number of uncertainties. Our performance will depend on the strength of the economy, the development of the Shilling, excise taxation and the competitive environment. A strong economy and a stable exchange rate, coupled with a conducive excise tax regime and fair competition, would positively impact our performance. Adverse changes would have a negatively impact on performance.

A weak economy, in particular poor agricultural output and low producer prices, would affect disposable incomes of our consumers and constrain demand for our products.

Depreciation of the Tanzania Shilling would increase our costs of imported raw materials, including local tobaccos denominated in USA Dollars, and reduce our margins.

An excise tax increase higher than the underlying rate of inflation would put further pressure on our margins.

A change to ad valorem excise structure from the existing specific excise structure would lead to under declaration of duties by unethical manufacturers and importers of cigarette and create an unfair competitive environment for legal sales of cigarettes. The Governments of Kenya and Uganda are moving to a specific excise duty structure for cigarettes to protect their revenues. The Government is well advised to maintain the existing specific excise duty structure.

A significant increase in untaxed cigarettes and counterfeit of our products would further erode our sales as well as Government revenues.

## CHAIRMAN'S STATEMENT (continued)

TCC's five-year tax holiday expires on July 31, 2003. The company is expected to start paying corporation tax at the rate of 30% on profits from August 1, 2003.

Subject to the above, I am optimistic about the company's performance in 2003.

You will be updated on the company's performance mid-year, when we publish our half-year results.

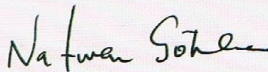
### Conclusion

Effective April 4, 2003, I will step down as Chairman and CEO of TCC after seven challenging years at the helm. I wish to take this opportunity to bid you farewell and to thank all those who have contributed to the great success of our company over the years. I leave behind a solid and prosperous company. A company we can all be proud of.

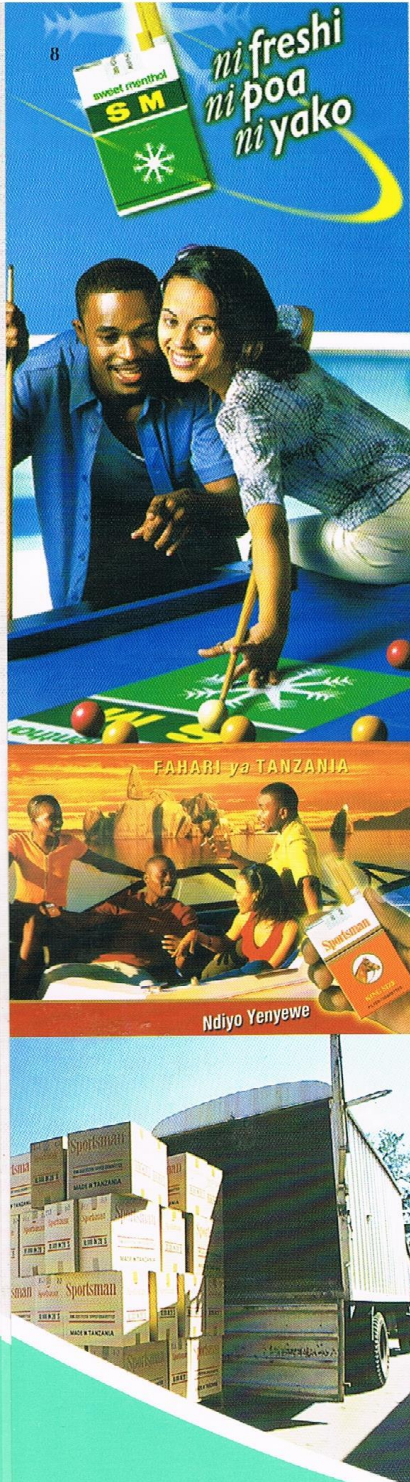
Bill Schulz is designated to succeed me as Chairman and CEO. He will bring with him a wealth of international management experience in the tobacco business. I trust you will accord him the same support you gave me during my tenure.

Finally, it has been my privilege and pleasure to chair the TCC Board during the year. On behalf of the board of Directors, I take this opportunity to extend our appreciation and thanks to the many stakeholders that have contributed to TCC's success; the tobacco farmers and processors, suppliers, distributors, kiosk and vendor cart retailers, employees, the Government and its agencies, our parent company JT International and you the shareholders. We need and depend on your continued support.

Yours sincerely

A handwritten signature in black ink that reads 'Natwar Gotecha'.

Natwar Gotecha  
Chairman and  
Chief Executive Officer



## BUSINESS REVIEW

### Sales and Marketing

Gross turnover increased by 9.6% to Tsh. 96.9 billion, from Tsh. 88.4 billion in 2001. This increase is due to a strong second half recovery in domestic sales volumes, increased export volumes, improved brand mix and a price increase in August 2002. The price increase was due to adverse changes in the operating environment that were beyond management's control. They include a cumulative inflation rate of more than 10% and a 20% depreciation of the Shilling against the USA Dollar since the last price increase in 2000.

Increased contraband and counterfeit of our Sportsman and Sweet Menthol brands in the second half of the year, threatened to undermine our sales. Small quantities of counterfeit Sportsman were first discovered and reported to relevant Government Agencies in August 2002. Counterfeit Sweet Menthol and Supermatch cigarettes illegally packed in Sportsman packs have surfaced in the market. Lack of progress by Government Agencies in identifying the source and the key perpetrators continue to be a major concern for the company.

Despite the counterfeit threat, Sportsman and Sweet Menthol remained our biggest selling brands, accounting for over 70% of total sales volumes. The company invested over Tsh. 2 billion in 2002 in sales and promotions to support and to strengthen brand equity.

In September, we re-introduced Embassy Kings in its original taste and design, in line with the company's efforts to continually strive to satisfy the demanding taste and quality aspirations of its esteemed Embassy Kings customers.

Tanzania Cigarette Company

## BUSINESS REVIEW (continued)

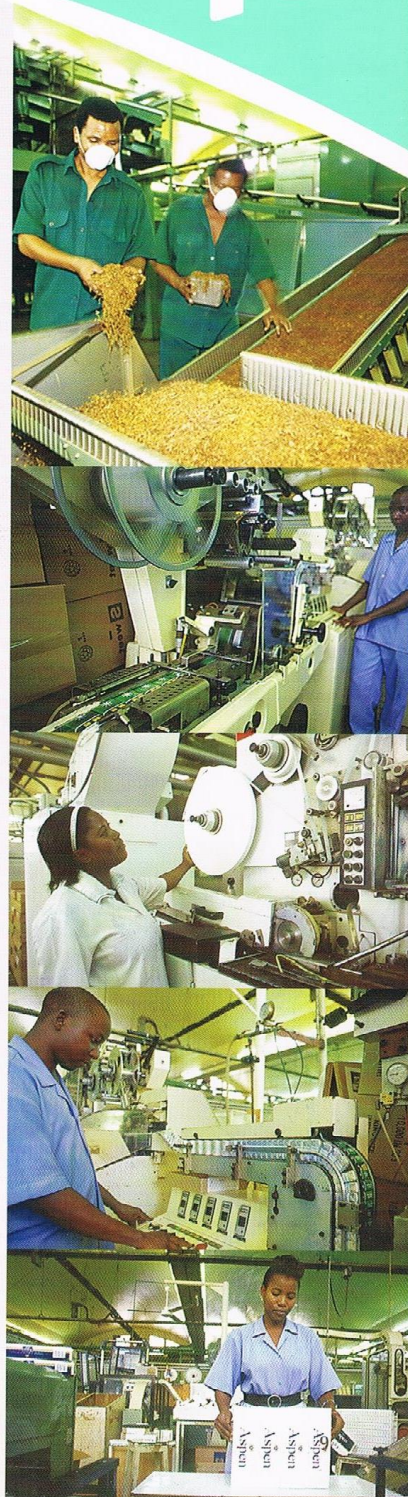
### Manufacturing and Operations

Significant improvements in quality, service and cost were made in manufacturing and operations in 2002. Product quality rating improved by 23%, whilst total product cost and spare parts inventories decreased by 2.3% and 15% respectively.

A global suggestion system for empowering shop floor workers to contribute to and take ownership for operational improvements was implemented in 2002. A significant number of high quality suggestions were received and implemented during the year, resulting in improved processes and cost savings.

Implementation of Project "Rhino" started in the second half of 2002. This five-year investment program (2002-2006) aims to further improve the company's quality, service and cost efficiencies through a re-organization of the factory layout, optimization of headcount and employees development.

During the year, we invested over Tsh.1 billion in our manufacturing facility to ensure it remains modern and meets international standards.



## **BUSINESS REVIEW (continued)**

### **Human Resources**

In recognition of the HIV/AIDS pandemic in the country and its devastating impact on productivity at the work place, the company introduced a free HIV/AIDS treatment programme for employees in late 2001. This systematic programme is the first of its kind to be offered by an employer in the country. Treatment varies from simple follow up to free full antiretroviral regimes. This innovative and pioneering program is in its second year and is working well. In time, we hope more companies in Tanzania will follow suit.

We continued to place a high priority on training and development and the welfare of our employees. A number employees attended internal and external training programmes to enhance existing skills and acquire new skills. Our secondment programme to other JTI factories picked up momentum during the year. Various other initiatives to improve employees' welfare and the working environment were also undertaken.

In an effort to enhance industrial relations and welfare of our employees, we started negotiations on a Voluntary Agreement, Conditions of Employment and Terminal Benefits in the third quarter of 2002. We hope to conclude these negotiations in early 2003.

### **Other**

In addition to its pioneering HIV/AIDS program, the company supported a number of Corporate Social Responsibility (CSR) Programs, including participation in the on-going Private Sector Initiative (PSI). This initiative aims at developing and expanding the role of the corporate private sector in Tanzania in increasing the opportunities for small business to contribute to, and participate in the growth of the Tanzanian economy.

Furthermore, we actively participated and lead private sector involvement in the East African Trade Protocol Negotiations, the Investor Round Table Forum aimed at attracting foreign investment in Tanzania, and organised a very successful interactive meeting between the President and CEOs of some of the major companies in Tanzania.

Our active participation and contribution in various business fora, private sector leadership and performance have earned the company a lot of respect. TCC was ranked the 6th most respected company in East Africa, in a survey conducted by PricewaterhouseCoopers (PwC) in November 2002, up from number 9 in 2001. In the same survey, TCC's Chairman and CEO, Natwar Gotecha, was ranked in the top three most respected CEOs in East Africa.

## **REPORT OF THE DIRECTORS For the year ended 31 December 2002**

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

### **Activities**

The Group's principal activities continue to be the manufacture, distribution, sale, marketing and export of cigarettes.

### **Results**

The Group and Company income statements for the year are set out on page 16.

### **Dividends**

The Directors have declared a total gross ordinary dividend of Tsh. 14.7 billion (2001: Tsh. 14.7 billion) or Tsh. 147.21 per share. An interim gross dividend of Tsh. 6.3 billion or Tsh. 63.00 per share was paid in September 2002. Therefore the final gross ordinary dividend will be Tsh. 8.4 billion or Tsh. 84.21 per share.

The Directors have also declared a total gross special dividend of Tsh.16.0 billion (2001: Tsh. 8.0 billion) or Tsh. 160.00 per share. An interim gross special dividend of Tsh. 8.0 billion or Tsh. 80.00 per share was paid in September 2002. Therefore the final special dividend will be Tsh. 8.0 billion or Tsh. 80.00 per share.

The total of the gross ordinary dividend and the gross special dividend for 2002 is Tsh. 30.7 billion or Tsh. 307.21 per share. (2001: Tsh. 22.7 billion or Tsh. 227.37 per share). The total of the interim gross ordinary dividend and interim gross special dividend paid in September 2002 was Tsh. 14.3 billion or Tsh.143.00 per share. Therefore the total of the final gross ordinary dividend and final gross special dividend will be Tsh.16.4 billion or Tsh.164.21 per share.

The total of the final ordinary dividend and final special dividend net of 5% withholding tax will be Tsh.15.6 billion or Tsh.156.00 per share. This will be paid to all shareholders registered at the Dar es Salaam Stock Exchange (DSE) at the date announced through public notice.

## REPORT OF THE DIRECTORS (continued) For the year ended 31 December 2002

### Directors

The Directors of the Company at the date of this report who, except as otherwise stated, served throughout the period are:

|                    |                                      |  |
|--------------------|--------------------------------------|--|
| Natwar Gotecha     | Chairman and Chief Executive Officer | British                                |
| Gray Mgonja        | Director (Non - Executive)           | Tanzanian                              |
| Naftal M. Nsemwa   | Director (Non - Executive)           | Tanzanian (appointed 19 February 2002) |
| David Thorn        | Director (Executive)                 | British (appointed 1 June, 2002)       |
| Juergen Rademacher | Director (Executive)                 | German (appointed 1 June 2002)         |
| James Riordan      | Director (Non - Executive)           | Irish (appointed 1 June 2002)          |

The following Directors retired from the Board during the year:

|                   |                            |         |                       |
|-------------------|----------------------------|---------|-----------------------|
| Francois Stettler | Director (Non - Executive) | Swiss   | (retired 1 June 2002) |
| Fries Vanneste    | Director (Executive)       | Belgian | (retired 1 June 2002) |
| Andrew Newton     | Director (Executive)       | British | (retired 1 June 2002) |

In addition the following Director passed away during the year:

|                     |                            |           |                         |
|---------------------|----------------------------|-----------|-------------------------|
| Eleutherius Kapinga | Director (Non - Executive) | Tanzanian | (deceased 11 June 2002) |
|---------------------|----------------------------|-----------|-------------------------|



Seated from left to right:  
Naftal Nsemwa ( Director - Non Executive )  
Natwar Gotecha ( Chairman and Chief Executive Officer)  
Gray Mgonja (Director - Non Executive)

Standing from left to right:  
Juergen Rademacher ( Director - Executive)  
David Thorn ( Director - Executive)  
Vintan Mbiro ( Secretary to the Board )

**REPORT OF THE DIRECTORS (continued)**  
**For the year ended 31 December 2002****Director's Interests**

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

**Solvency**

The state of affairs of the company as at 31 December 2002 is set out on page 17 of these financial statements. The Directors consider the company to be solvent, within the meaning ascribed by the Companies Ordinance (Cap. 212).

**Related Party Transactions**

Details of transactions and balances with related parties are included in note 15 to the financial statements.

**Contracts With Related Parties**

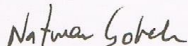
The Technical Services Agreement between JT International and the Company signed in January 2000, continued during the year.

**Contingent Liabilities**

The Company is currently involved in litigation with various third parties with respect to commercial, labor and tax disputes. Details are set out in note 17 to the financial statement.

**Auditors**

A resolution to re-appoint the auditors, Deloitte & Touche, will be proposed at the Annual General Meeting.

**By Order of the Board**

Director



Director

13 March, 2003

Date

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Ordinance. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

*Natwan Gobeck*

Chairman

*[Signature]*

Director

13 March, 2003

Date

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF  
Tanzania Cigarette Company Limited**

We have audited the financial statements on pages 16 to 30 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

**Respective responsibilities of directors and auditors**

As described on page 11, the directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

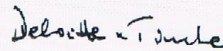
**Basis of opinion**

We conducted our audit in accordance with approved auditing standards, including Tanzania Auditing Standards issued by the National Board of Accountants and Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion:

- (a) proper books of account have been kept by the company and the financial statements are in agreement therewith;
- (b) the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2002 and of their profit and cash flows for the year then ended in accordance with Tanzania Financial Accounting Standards and comply with the Companies Ordinance (Cap 212), 1932.



Deloitte and Touche  
Certified Public Accountants (T)

13 March, 2003,  
DAR ES SALAAM

**INCOME STATEMENTS**  
For the year ended 31 December 2002

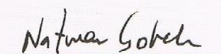
|   | Notes | Group          |                              | Company        |                              |
|---|-------|----------------|------------------------------|----------------|------------------------------|
|   |       | 2002<br>Tsh. M | 2001<br>Tsh. M<br>(Restated) | 2002<br>Tsh. M | 2001<br>Tsh. M<br>(Restated) |
| <b>Gross turnover</b>                               |       | 96,875         | 88,452                       | 96,875         | 88,450                       |
| Excise duty and VAT                                 |       | <u>41,174</u>  | <u>39,444</u>                | <u>41,174</u>  | <u>39,444</u>                |
| <b>Net turnover</b>                                 |       | 55,701         | 49,008                       | 55,701         | 49,006                       |
| <br>  |       |                |                              |                |                              |
| Cost of sales                                       |       | <u>18,551</u>  | <u>16,217</u>                | <u>18,551</u>  | <u>16,211</u>                |
| <b>Gross profit</b>                                 |       | 37,150         | 32,791                       | 37,150         | 32,795                       |
| <br>  |       |                |                              |                |                              |
| Selling and distribution costs                      |       | 7,811          | 6,966                        | 7,911          | 6,965                        |
| General and administrative costs                    |       | 7,856          | 6,769                        | 7,677          | 6,657                        |
| Other operating income                              |       | <u>53</u>      | <u>25</u>                    | <u>24</u>      | <u>16</u>                    |
| <b>Operating profit</b>                             | 2     | 21,536         | 19,081                       | 21,586         | 19,189                       |
| Finance revenue                                     | 3     | <u>570</u>     | <u>2,562</u>                 | <u>570</u>     | <u>2,559</u>                 |
| <b>Profit before taxation</b>                       |       | 22,106         | 21,643                       | 22,156         | 21,748                       |
| Taxation charge/(credit)                            | 4     | <u>1,039</u>   | <u>(564)</u>                 | <u>(133)</u>   | <u>(515)</u>                 |
| <b>Profit attributable to ordinary shareholders</b> |       | <u>21,067</u>  | <u>22,207</u>                | <u>22,289</u>  | <u>22,263</u>                |
| <br>  |       |                |                              |                |                              |
| <b>Earnings per share (Tsh.)</b>                    | 6     | <u>210.67</u>  | <u>222.07</u>                |                |                              |
| <br>  |       |                |                              |                |                              |
| <b>Dividend per ordinary share (Tsh.)</b>           |       | <u>307</u>     | <u>227</u>                   |                |                              |

The notes on pages 21 to 30 form an integral part of these financial statements.

**BALANCE SHEETS**  
**As at 31 December 2002**

|                                  | Notes | Group          |                              | Company        |                              |
|----------------------------------|-------|----------------|------------------------------|----------------|------------------------------|
|                                  |       | 2002<br>Tsh. M | 2001<br>Tsh. M<br>(Restated) | 2002<br>Tsh. M | 2001<br>Tsh. M<br>(Restated) |
| <b>CAPITAL EMPLOYED</b>          |       |                |                              |                |                              |
| Share capital                    | 7     | 2,000          | 2,000                        | 2,000          | 2,000                        |
| Revaluation reserve              |       | 4,369          | 4,369                        | 4,369          | 4,369                        |
| Retained earnings                |       | 24,426         | 34,007                       | 24,954         | 33,386                       |
| Proposed dividends               | 5     | <u>16,421</u>  | <u>7,895</u>                 | <u>16,421</u>  | <u>7,895</u>                 |
| <b>TOTAL SHAREHOLDERS' FUNDS</b> |       | <u>47,216</u>  | <u>48,271</u>                | <u>47,744</u>  | <u>47,650</u>                |
| <b>REPRESENTED BY:</b>           |       |                |                              |                |                              |
| <b>Non current assets</b>        |       |                |                              |                |                              |
| Fixed assets                     | 8     | 20,128         | 19,509                       | 20,128         | 19,501                       |
| Deferred tax asset               | 13    | -              | 1,107                        | -              | -                            |
| Investments and loan receivable  | 9     | <u>585</u>     | <u>735</u>                   | <u>1,119</u>   | <u>1,269</u>                 |
|                                  |       | <u>20,713</u>  | <u>21,351</u>                | <u>21,247</u>  | <u>20,770</u>                |
| <b>Current assets</b>            |       |                |                              |                |                              |
| Stocks                           | 10    | 13,893         | 14,642                       | 13,893         | 14,642                       |
| Debtors                          | 11    | 2,253          | 2,360                        | 2,253          | 2,360                        |
| Bank balances and cash           |       | <u>23,010</u>  | <u>21,953</u>                | <u>23,003</u>  | <u>21,902</u>                |
| <b>Total current assets</b>      |       | 39,156         | 38,955                       | 39,149         | 38,904                       |
| <b>Current liabilities</b>       |       |                |                              |                |                              |
| Creditors                        | 12    | <u>10,571</u>  | <u>9,820</u>                 | <u>10,570</u>  | <u>9,809</u>                 |
| <b>Net current assets</b>        |       | <u>28,585</u>  | <u>29,135</u>                | <u>28,579</u>  | <u>29,095</u>                |
| <b>Non current liabilities</b>   |       |                |                              |                |                              |
| Deferred tax liability           | 13    | <u>2,082</u>   | <u>2,215</u>                 | <u>2,082</u>   | <u>2,215</u>                 |
| <b>NET ASSETS</b>                |       | <u>47,216</u>  | <u>48,271</u>                | <u>47,744</u>  | <u>47,650</u>                |

The financial statements on pages 23 to 30 were approved by the Directors on March 13 2003 and were signed on their behalf by:

  
Director

  
Director

13 March, 2003  
Date

The notes to the financial statements on pages 21 to 30 form an integral part of these financial statements.

### STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2002

#### GROUP

|  | Share<br>Capital<br>Tsh. M | Revaluation<br>Reserve<br>Tsh. M | Revenue<br>Reserve<br>Tsh. M | Proposed<br>Dividend<br>Tsh. M | Total<br>Tsh. M |
|--|----------------------------|----------------------------------|------------------------------|--------------------------------|-----------------|
| At 1 January 2001 as previously reported | 2,000                      | 6,252                            | 35,020                       | 6,400                          | 49,672          |
| Prior year adjustment                    | -                          | (1,875)                          | (566)                        | -                              | (2,441)         |
| At 1 January 2001 as restated            | 2,000                      | 4,377                            | 34,454                       | 6,400                          | 47,231          |
| Profit for the year                      | -                          | -                                | 22,207                       | -                              | 22,207          |
| Dividend paid (Note 5)                   | -                          | -                                | (14,842)                     | (6,400)                        | (21,242)        |
| Proposed dividend (Note 5)               | -                          | -                                | (7,895)                      | 7,895                          | -               |
| Transfers from revaluation reserve       | -                          | (8)                              | 8                            | -                              | -               |
| Translation adjustment                   | -                          | -                                | 75                           | -                              | 75              |
| <b>At 31 December 2001</b>               | <b>2,000</b>               | <b>4,369</b>                     | <b>34,007</b>                | <b>7,895</b>                   | <b>48,271</b>   |
| Profit for the year                      | -                          | -                                | 21,067                       | -                              | 21,067          |
| Dividend paid (Note 5)                   | -                          | -                                | (14,300)                     | (7,895)                        | (22,195)        |
| Proposed dividend (Note 5)               | -                          | -                                | (16,421)                     | 16,421                         | -               |
| Translation adjustment                   | -                          | -                                | 73                           | -                              | 73              |
| <b>At 31 December 2002</b>               | <b>2,000</b>               | <b>4,369</b>                     | <b>24,426</b>                | <b>16,421</b>                  | <b>47,216</b>   |

The prior year adjustment is in respect of deferred tax provision as a result of early adoption of Tanzania Financial Accounting Standard 29.

The notes to the financial statements on pages 21 to 30 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2002**

**COMPANY**

|  | Share<br>Capital<br>Tsh. M | Revaluation<br>Reserve<br>Tsh. M | Revenue<br>Reserve<br>Tsh. M | Proposed<br>Dividend<br>Tsh. M | Total<br>Tsh. M      |
|--|----------------------------|----------------------------------|------------------------------|--------------------------------|----------------------|
| At 1 January 2001 as previously reported | 2,000                      | 6,252                            | 34,418                       | 6,400                          | 49,070               |
| Prior year adjustment                    | -                          | (1,875)                          | (566)                        | -                              | (2,441)              |
| <b>At 1 January 2001 as restated</b>     | <b>2,000</b>               | <b>4,377</b>                     | <b>33,852</b>                | <b>6,400</b>                   | <b>46,629</b>        |
| Profit for the year                      | -                          | -                                | 22,263                       | -                              | 22,263               |
| Dividend paid (Note 5)                   | -                          | -                                | (14,842)                     | (6,400)                        | (21,242)             |
| Proposed dividend (Note 5)               | -                          | -                                | (7,895)                      | 7,895                          | -                    |
| Transfers from revaluation reserve       | -                          | (8)                              | 8                            | -                              | -                    |
| <b>At 31 December 2001</b>               | <b>2,000</b>               | <b>4,369</b>                     | <b>33,386</b>                | <b>7,895</b>                   | <b>47,650</b>        |
| Profit for the year                      | -                          | -                                | 22,289                       | -                              | 22,289               |
| Dividend paid                            | -                          | -                                | (14,300)                     | (7,895)                        | (22,195)             |
| Proposed dividend                        | -                          | -                                | (16,421)                     | 16,421                         | -                    |
| <b>At 31 December 2002</b>               | <b><u>2,000</u></b>        | <b><u>4,369</u></b>              | <b><u>24,954</u></b>         | <b><u>16,421</u></b>           | <b><u>47,744</u></b> |

The prior year adjustment is in respect of deferred tax provision as a result of early adoption of Tanzania Financial Accounting Standard 29.

The notes to the financial statements on pages 21 to 30 form an integral part of these financial statements.

### CASH FLOW STATEMENTS For the year ended 31 December 2002

|  | Notes | Group                 |                      | Company               |                       |
|--|-------|-----------------------|----------------------|-----------------------|-----------------------|
|  |       | 2002<br>Tsh. M        | 2001<br>Tsh. M       | 2002<br>Tsh. M        | 2001<br>Tsh. M        |
| <b>Cash flow from operating activities:</b>                |       |                       |                      |                       |                       |
| Operating profit   |       | 21,536                | 19,081               | 21,586                | 19,189                |
| <b>Adjusted for:</b>                                       |       |                       |                      |                       |                       |
| Depreciation   |       | 2,980                 | 2,924                | 2,975                 | 2,912                 |
| Profit on disposal of assets                               |       | (48)                  | (25)                 | (19)                  | (16)                  |
| Other non - cash items                                     | 14.1  | <u>8</u>              | <u>(130)</u>         | <u>-</u>              | <u>(74)</u>           |
| <b>Operating profit before working capital changes</b>     |       | <b>24,470</b>         | <b>21,850</b>        | <b>24,542</b>         | <b>22,011</b>         |
| Movement in working capital                                | 14.2  | 1,586                 | (416)                | 1,596                 | 51                    |
| Exchange gain / (loss)                                     |       | <u>286</u>            | <u>1,866</u>         | <u>286</u>            | <u>1,866</u>          |
| <b>Cash generated from operations</b>                      |       | <b>26,348</b>         | <b>23,300</b>        | <b>26,424</b>         | <b>23,928</b>         |
| Taxation paid  |       | <u>-</u>              | <u>(19)</u>          | <u>-</u>              | <u>(19)</u>           |
| <b>Net cash flow from operating activities</b>             |       | <b><u>26,348</u></b>  | <b><u>23,281</u></b> | <b><u>26,424</u></b>  | <b><u>23,909</u></b>  |
| <b>Investing activities</b>                                |       |                       |                      |                       |                       |
| Loan to Employee Share Option Scheme                       |       | 150                   | 85                   | 150                   | 85                    |
| Investment in subsidiary                                   |       | -                     | -                    | -                     | (534)                 |
| Proceeds from sale of fixed assets                         |       | 58                    | 40                   | 26                    | 31                    |
| Purchase of fixed assets                                   |       | (3,609)               | (1,591)              | (3,609)               | (1,591)               |
| Interest received  |       | <u>284</u>            | <u>696</u>           | <u>284</u>            | <u>693</u>            |
| <b>Net cash used in investing activities</b>               |       | <b><u>(3,117)</u></b> | <b><u>(770)</u></b>  | <b><u>(3,149)</u></b> | <b><u>(1,316)</u></b> |
| <b>Financing activities</b>                                |       |                       |                      |                       |                       |
| Dividends paid   | 14.3  | <u>(22,174)</u>       | <u>(21,742)</u>      | <u>(22,174)</u>       | <u>(21,742)</u>       |
| <b>Net increase in cash and cash equivalents</b>           |       | <b>1,057</b>          | <b>769</b>           | <b>1,101</b>          | <b>851</b>            |
| <b>Bank and cash balances at the beginning of the year</b> |       | <b><u>21,953</u></b>  | <b><u>21,184</u></b> | <b><u>21,902</u></b>  | <b><u>21,051</u></b>  |
| <b>Bank and cash balances at the end of the year</b>       |       | <b><u>23,010</u></b>  | <b><u>21,953</u></b> | <b><u>23,003</u></b>  | <b><u>21,902</u></b>  |

The notes to the financial statements on pages 21 to 30 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2002

### 1. Accounting policies

The financial statements are prepared in accordance with Tanzania Financial Accounting Standards. In line with good accounting practice, during the year, the company adopted Tanzania Financial Accounting Standards 29, Accounting for income taxes, which is effective for financial statement for accounting periods commencing on or after 1 July 2002. The principal accounting policies are set out below:

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention modified, where appropriate, to include the revaluation of certain fixed assets.

#### **Basis of consolidation**

The Group annual financial statements incorporate the financial statements of the Company and its subsidiary, TCC (Kenya) Limited, up to 31 December 2002.

#### **Cash and cash equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise cash, deposits held at call with banks and other short term highly liquid investments which are readily convertible to known amounts of cash with maturities of less than three months net of any overdrafts.

#### **Turnover**

Gross turnover comprises the invoiced value of sales and is recognised when goods are delivered to the customer.

#### **Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is determined on the following basis:

- Raw materials and consumable stores are valued at weighted average cost;
- 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.

## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2002

### Fixed Assets and Depreciation

Fixed assets are stated at cost or as professionally valued less accumulated depreciation. Depreciation is provided on the straight-line basis at rates that will write off the cost or valuation of tangible fixed assets over their estimated useful lives, using the following annual rates:

|                                       | %          |
|---------------------------------------|------------|
| Leasehold land and permanent building | 2.0        |
| Temporary buildings                   | 33.3       |
| Plant and machinery                   | 5.0 - 20.0 |
| Other equipment                       | 10 - 33.3  |
| Motor vehicles                        | 33.3       |
| Advertising equipment                 | 25.0       |
| Capital work in progress              | Nil        |

Fixed assets were last revalued in 1994 and the revaluation surplus recorded in the financial statements. Company policy since 1994 is to record fixed asset additions at cost and not to revalue fixed assets.

### Taxation

Current taxation is provided for on the basis of the results shown in the financial statements adjusted in accordance with tax legislation.

Deferred tax is provided using the liability method for all temporary differences arising between the tax base for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

This is a change of policy as a result of the early adoption of Tanzania Financial Accounting Standard 29 and prior year adjustment has been made.

### Foreign currency translation

Foreign currency transactions are converted into Tanzania Shillings at the average monthly exchange rates. Assets and liabilities in foreign currencies have been converted at rates of exchange approximating to those ruling at the balance sheet date. All exchange differences both realised and unrealised (including those arising from currency translations in the normal course of trading) are dealt with through the income statement.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002 (Continued)**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2002<br>Tsh. M | 2001<br>Tsh. M | 2002<br>Tsh. M | 2001<br>Tsh. M |
| <b>2. Operating profit</b>                                    |                |                |                |                |
| <i>Operating profit is stated after charging/(crediting):</i> |                |                |                |                |
| Directors' fees   | 18             | 24             | 18             | 24             |
| Auditor's remuneration:                                       |                |                |                |                |
| Audit fees  | 59             | 55             | 57             | 54             |
| Other services  | 19             | 25             | 19             | 25             |
| Depreciation  | 2,980          | 2,924          | 2,975          | 2,912          |
| Technical service fees  | 2,734          | 1,953          | 2,734          | 1,953          |
| Profit on disposal of assets                                  | <u>(48)</u>    | <u>(25)</u>    | <u>(19)</u>    | <u>(16)</u>    |
| <b>3. Finance revenue</b>                                     |                |                |                |                |
| Exchange differences  | 286            | 1,866          | 286            | 1,866          |
| Interest receivable   | <u>284</u>     | <u>696</u>     | <u>284</u>     | <u>693</u>     |
|   | <u>570</u>     | <u>2,562</u>   | <u>570</u>     | <u>2,559</u>   |
| <b>4. Taxation</b>  |                |                |                |                |
| Current taxation at 30%                                       | 7,049          | 6,900          | 7,049          | 6,900          |
| Tax holiday (note 4.1)  | <u>(7,049)</u> | <u>(6,900)</u> | <u>(7,049)</u> | <u>(6,900)</u> |
|   | -              | -              | -              | -              |
| Over provision in prior years                                 | -              | (289)          | -              | (289)          |
| Deferred taxation charge/(credit)                             | <u>1,039</u>   | <u>(275)</u>   | <u>(133)</u>   | <u>(226)</u>   |
|   | <u>1,039</u>   | <u>(564)</u>   | <u>(133)</u>   | <u>(515)</u>   |
| <b>4.1 Tax holiday</b>  |                |                |                |                |

The Company's five year tax holiday in Tanzania, granted under the National Investment Promotion & Protection Act (NIPPA) 1990, commenced on 1 August 1998 and consequently no charge to current taxation has been provided in respect of the Company for the current year (See also note 17.2).

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002 (continued)**

**4. Taxation (continued)**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2002<br>Tsh. M | 2001<br>Tsh. M | 2002<br>Tsh. M | 2001<br>Tsh. M |
| <b>4.2 Reconciliation of tax based on<br/>accounting profit to tax<br/>charge/(credit)</b> |                |                |                |                |
| Accounting profit before tax   | <u>22,106</u>  | <u>21,643</u>  | <u>22,155</u>  | <u>21,748</u>  |
| Tax charge at 30%  | 6,632          | 6,493          | 6,646          | 6,524          |
| Less:  |                |                |                |                |
| Over provision in prior years  | -              | (289)          | -              | (289)          |
| Tax holiday  | (7,049)        | (6,900)        | (7,049)        | (6,900)        |
| Income not subject to tax  | -              | (18)           | -              | -              |
| Add:   |                |                |                |                |
| Disallowable expenditure   | 284            | 150            | 270            | 150            |
| Deferred tax asset not<br>recognised (note 4.3)  | <u>1,172</u>   | <u>-</u>       | <u>-</u>       | <u>-</u>       |
| Current year tax charge/(credit)   | <u>1,039</u>   | <u>(564)</u>   | <u>(133)</u>   | <u>(515)</u>   |

**4.3 Deferred tax asset not recognised**

The deferred tax asset has not been recognised in the financial statement of the subsidiary company TCC (Kenya) Limited because the company ceased operations and it is uncertain that there will be sufficient future profits against which the accumulated tax losses can be utilised. The deferred tax asset comprised mainly of tax losses available for future relief.

|                         | Group          |                | Company        |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2002<br>Tsh. M | 2001<br>Tsh. M | 2002<br>Tsh. M | 2001<br>Tsh. M |
| <b>5. Dividends</b>     |                |                |                |                |
| <b>Paid:</b>            |                |                |                |                |
| Interim dividend        | 6,300          | 6,842          | 6,300          | 6,842          |
| First special dividend  | <u>8,000</u>   | <u>8,000</u>   | <u>8,000</u>   | <u>8,000</u>   |
|                         | <u>14,300</u>  | <u>14,842</u>  | <u>14,300</u>  | <u>14,842</u>  |
| <b>Proposed:</b>        |                |                |                |                |
| Final dividend          | 8,421          | 7,895          | 8,421          | 7,895          |
| Second special dividend | <u>8,000</u>   | <u>-</u>       | <u>8,000</u>   | <u>-</u>       |
|                         | <u>16,421</u>  | <u>7,895</u>   | <u>16,421</u>  | <u>7,895</u>   |
|                         | <u>30,721</u>  | <u>22,737</u>  | <u>30,721</u>  | <u>22,737</u>  |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002 (continued)**

**6. Earnings per share**

The calculations are based on the profit attributable to ordinary shareholders and the number of ordinary shares in issue during the year.

|  | Group          |                |
|--|----------------|----------------|
|  | 2002<br>Tsh. M | 2001<br>Tsh. M |
| Profit attributable to ordinary shareholders         | 21,067         | 22,207         |
| Weighted average number of shares in issue (million) | 100            | 100            |
| Earnings per share (Tsh.)                            | <u>210.67</u>  | <u>222.07</u>  |

**7. Share capital**

|   |              |              |
|---|--------------|--------------|
| Authorised:                                   |              |              |
| 125 000 000 Ordinary shares of Tsh. 20/= each | <u>2,500</u> | <u>2,500</u> |
| Issued and fully paid:                        |              |              |
| 100 000 000 Ordinary shares of Tsh. 20/= each | <u>2,000</u> | <u>2,000</u> |

|                                       | 2002<br>Ordinary<br>Shares<br>Million | 2001<br>Ordinary<br>shares<br>Million | 2002<br>%<br>Holding | 2001<br>%<br>Holding |
|---------------------------------------|---------------------------------------|---------------------------------------|----------------------|----------------------|
| <b>Ownership structure</b>            |                                       |                                       |                      |                      |
| <b>Resident shareholders:</b>         |                                       |                                       |                      |                      |
| United Republic of Tanzania           | 5.5                                   | 5.5                                   | 5.5                  | 5.5                  |
| General public                        | <u>19.5</u>                           | <u>19.5</u>                           | <u>19.5</u>          | <u>19.5</u>          |
|                                       | 25.0                                  | 25.0                                  | 25.0                 | 25.0                 |
| <b>Non-resident shareholders</b>      |                                       |                                       |                      |                      |
| JT International B. V.                | <u>75.0</u>                           | <u>75.0</u>                           | <u>75.0</u>          | <u>75.0</u>          |
| <b>Total ordinary shares in issue</b> | <u>100.0</u>                          | <u>100.0</u>                          | <u>100.0</u>         | <u>100.0</u>         |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002 (continued)**

**8. Fixed assets**

|                          | Balance at<br>beginning<br>of the year<br>Tsh. M | Additions<br>Tsh. M | Transfers<br>Tsh. M | Disposals<br>Tsh. M | Balance at<br>end of the<br>year<br>Tsh. M |
|--------------------------|--|---------------------|---------------------|---------------------|--|
| <b>8.1 COMPANY</b>       |  |                     |                     |                     |  |
| <b>Cost or valuation</b> |  |                     |                     |                     |  |
| Leasehold property       | 8,367  | 4                   | 655                 | -                   | 9,026                                      |
| Plant and machinery      | 19,912   | 611                 | 493                 | (80)                | 20,936                                     |
| Other equipment          | 2,170  | 226                 | 4                   | -                   | 2,400                                      |
| Motor vehicles           | 2,578  | 367                 | -                   | (231)               | 2,714                                      |
| Capital work in progress | 895  | 2,401               | (1,152)             | -                   | 2,144                                      |
|                          | <u>33,922</u>                                    | <u>3,609</u>        | <u>-</u>            | <u>(311)</u>        | <u>37,220</u>                              |

|                                 |               |              |          |              |               |
|---------------------------------|---------------|--------------|----------|--------------|---------------|
| <b>Accumulated depreciation</b> |               |              |          |              |               |
| Leasehold property              | 1,685         | 236          | -        | -            | 1,921         |
| Plant and machinery             | 9,518         | 1,985        | -        | (73)         | 11,430        |
| Other equipment                 | 1,362         | 253          | -        | -            | 1,615         |
| Motor vehicles                  | 1,856         | 501          | -        | (231)        | 2,126         |
| Capital work in progress        | -             | -            | -        | -            | -             |
|                                 | <u>14,421</u> | <u>2,975</u> | <u>-</u> | <u>(304)</u> | <u>17,092</u> |

**GROUP**

|                          |               |              |          |              |               |
|--------------------------|---------------|--------------|----------|--------------|---------------|
| <b>Cost or valuation</b> |               |              |          |              |               |
| Leasehold property       | 8,366         | 4            | 655      | 1            | 9,026         |
| Plant and machinery      | 19,962        | 611          | 493      | (130)        | 20,936        |
| Other equipment          | 2,169         | 226          | 4        | 1            | 2,400         |
| Motor vehicles           | 2,569         | 367          | -        | (222)        | 2,714         |
| Capital work in progress | 895           | 2,401        | (1,152)  | -            | 2,144         |
|                          | <u>33,961</u> | <u>3,609</u> | <u>-</u> | <u>(350)</u> | <u>37,220</u> |

|                                 |               |              |          |              |               |
|---------------------------------|---------------|--------------|----------|--------------|---------------|
| <b>Accumulated depreciation</b> |               |              |          |              |               |
| Leasehold property              | 1,685         | 236          | -        | -            | 1,921         |
| Plant and machinery             | 9,518         | 1,985        | -        | (73)         | 11,430        |
| Other equipment                 | 1,372         | 258          | -        | (15)         | 1,615         |
| Motor vehicles                  | 1,877         | 501          | -        | (252)        | 2,126         |
| Capital work in progress        | -             | -            | -        | -            | -             |
|                                 | <u>14,452</u> | <u>2,980</u> | <u>-</u> | <u>(340)</u> | <u>17,092</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002 (continued)**

**8. Fixed assets (continued)**

| Net book value:          | Group          |                | Company        |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2002<br>Tsh. M | 2001<br>Tsh. M | 2002<br>Tsh. M | 2001<br>Tsh. M |
| Leasehold property       | 7,105          | 6,681          | 7,105          | 6,682          |
| Plant and machinery      | 9,506          | 10,444         | 9,506          | 10,394         |
| Other equipment          | 785            | 797            | 785            | 808            |
| Motor vehicles           | 588            | 692            | 588            | 722            |
| Capital work in progress | <u>2,144</u>   | <u>895</u>     | <u>2,144</u>   | <u>895</u>     |
|                          | <u>20,128</u>  | <u>19,509</u>  | <u>20,128</u>  | <u>19,501</u>  |

**9. Investment and loan receivable**

|                          |            |            |              |              |
|--------------------------|------------|------------|--------------|--------------|
| Investment in subsidiary | -          | -          | 534          | 534          |
| Loan receivable          | <u>585</u> | <u>735</u> | <u>585</u>   | <u>735</u>   |
|                          | <u>585</u> | <u>735</u> | <u>1,119</u> | <u>1,269</u> |

**Investment in subsidiary**

Investment in subsidiary represents the cost of shares in the company's wholly-owned subsidiary, TCC (Kenya) Limited.

**Loan receivable**

Loan receivable of Tsh 585 million represents the balance on a loan of Tsh 820 million to a trust established for the employees share scheme - The Registered Trustees of The TCC Employees' Share Option Scheme (ESOS). The loan is interest free and is repaid in installments in amounts and at times the Trust decides the value of its assets are in prudential surplus over its obligations to the employees in accordance with the scheme.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002 (continued)**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2002<br>Tsh. M | 2001<br>Tsh. M | 2002<br>Tsh. M | 2001<br>Tsh. M |
| <b>10. Stocks</b>                                   |                |                |                |                |
| Raw materials                                       | 9,235          | 10,393         | 9,235          | 10,393         |
| Work in progress                                    | 65             | 70             | 65             | 70             |
| Consumable stores                                   | 2,560          | 2,639          | 2,560          | 2,639          |
| Goods in transit                                    | 858            | 59             | 858            | 59             |
| Finished goods                                      | <u>2,478</u>   | <u>2,019</u>   | <u>2,478</u>   | <u>2,019</u>   |
|   | 15,196         | 15,180         | 15,196         | 15,180         |
| Less: Provision for obsolete stock                  | <u>(1,303)</u> | <u>(538)</u>   | <u>(1,303)</u> | <u>(538)</u>   |
|   | <u>13,893</u>  | <u>14,642</u>  | <u>13,893</u>  | <u>14,642</u>  |
| <b>11. Debtors</b>                                  |                |                |                |                |
| Trade debtors                                       | 1,725          | 1,370          | 1,725          | 1,370          |
| Amounts due from related companies                  | 21             | 235            | 21             | 235            |
| Prepayments and other debtors                       | 813            | 892            | 813            | 892            |
| Less: Provision for doubtful debts                  | <u>(306)</u>   | <u>(137)</u>   | <u>(306)</u>   | <u>(137)</u>   |
|   | <u>2,253</u>   | <u>2,360</u>   | <u>2,253</u>   | <u>2,360</u>   |
| <b>12. Creditors</b>                                |                |                |                |                |
| Trade creditors                                     | 1,225          | 994            | 1,225          | 994            |
| Accrued liabilities                                 | 4,578          | 4,647          | 4,578          | 4,647          |
| Amounts due to related companies                    | 1,388          | 935            | 1,388          | 935            |
| Excise tax and VAT payable                          | 2,789          | 2,642          | 2,789          | 2,642          |
| Other creditors                                     | 70             | 102            | 69             | 91             |
| Dividends payable                                   | <u>521</u>     | <u>500</u>     | <u>521</u>     | <u>500</u>     |
|   | <u>10,571</u>  | <u>9,820</u>   | <u>10,570</u>  | <u>9,809</u>   |
| <b>13. Deferred tax</b>                             |                |                |                |                |
| Balance at 1 January 2001<br>as previously reported | 1,107          | 927            | -              | -              |
| Prior year adjustment                               | <u>(2,215)</u> | <u>(2,441)</u> | <u>(2,215)</u> | <u>(2,441)</u> |
| Balance at 1 January as restated                    | (1,108)        | (1,514)        | (2,215)        | (2,441)        |
| (Charged)/credited to income<br>statement (note 4)  | (1,039)        | 275            | 133            | 226            |
| Other movement (Note 14.1)                          | <u>65</u>      | <u>131</u>     |                |                |
| Balance at 31 December                              | <u>(2,082)</u> | <u>(1,108)</u> | <u>(2,082)</u> | <u>(2,215)</u> |
| Disclosed as:                                       |                |                |                |                |
| Deferred tax asset                                  | -              | 1,107          | -              | -              |
| Deferred tax liability                              | <u>(2,082)</u> | <u>(2,215)</u> | <u>(2,082)</u> | <u>(2,215)</u> |
|   | <u>(2,082)</u> | <u>(1,108)</u> | <u>(2,082)</u> | <u>(2,215)</u> |

The deferred tax asset arose mainly due to tax losses in the subsidiary company while the deferred tax liability is mainly due to accelerated capital allowances.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002 (continued)**

**14. Notes to the cash flow statement**

|                              | Group          |                | Company        |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2002<br>Tsh. M | 2001<br>Tsh. M | 2002<br>Tsh. M | 2001<br>Tsh. M |
| <b>14.1 Non - cash items</b> |                |                |                |                |
| Movement in provisions *     | -              | (363)          | -              | (363)          |
| Tax credit                   | -              | 289            | -              | 289            |
| Deferred tax movement        | (65)           | (131)          | -              | -              |
| Other movements              | 73             | 75             | -              | -              |
|                              | <u>8</u>       | <u>(130)</u>   | <u>-</u>       | <u>(74)</u>    |

\* Movement in provision in year 2001 relates to reversal of provision made in year 2000 in anticipation of fall in value of ESOS shares.

**14.2 Movement in working capital**

|                               |              |              |              |           |
|-------------------------------|--------------|--------------|--------------|-----------|
| Decrease/(increase) in stocks | 749          | (1,101)      | 749          | (1,107)   |
| Decrease in debtors           | 107          | 557          | 107          | 1,015     |
| Increase in creditors         | 730          | 128          | 740          | 143       |
|                               | <u>1,586</u> | <u>(416)</u> | <u>1,596</u> | <u>51</u> |

**14.3 Dividends paid**

|                                 |               |               |               |               |
|---------------------------------|---------------|---------------|---------------|---------------|
| Dividend payable at 1 January   | 500           | 1,000         | 500           | 1,000         |
| Dividend paid                   | 22,195        | 21,242        | 22,195        | 21,242        |
| Dividend payable at 31 December | <u>(521)</u>  | <u>(500)</u>  | <u>(521)</u>  | <u>(500)</u>  |
|                                 | <u>22,174</u> | <u>21,742</u> | <u>22,174</u> | <u>21,742</u> |

**15. Related party transactions**

**Group and Company**

**a. Contracts with related parties**

A technical and know-how services agreement with J. T. International S. A., the ultimate parent company for the provision of technical and know-how services to the company has been in place since 1 January 2000. Amounts payable under this agreement are included under purchase of goods and services below.

The charge in 2002 of Tsh. 2,734M for this agreement includes an amount of Tsh. 423M that related to 2001.

**b. Other transactions with related parties**

|   | 2002<br>Tsh. M | 2001<br>Tsh. M |
|---|----------------|----------------|
| <b>i. Sales of goods</b>                  |                |                |
| J. T. International Companies             | <u>45</u>      | <u>608</u>     |
| <b>ii. Purchase of goods and services</b> |                |                |
| J. T. International Companies             | <u>3,995</u>   | <u>3,456</u>   |

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2002 (Continued)**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2002<br>Tsh. M | 2001<br>Tsh. M | 2002<br>Tsh. M | 2001<br>Tsh. M |
| <b>16. Capital commitments</b>                        |                |                |                |                |
| Capital expenditure authorised but not contracted for | -              | 1,563          | -              | 1,563          |
| Capital expenditure authorised and contracted for     | <u>1,698</u>   | <u>-</u>       | <u>1,698</u>   | <u>-</u>       |
|   | <u>1,698</u>   | <u>1,563</u>   | <u>1,698</u>   | <u>1,563</u>   |

**17. Contingent liabilities**

**17.1 Litigation**

The Company is currently involved in a number of civil actions. It is not possible to predict the outcome of these actions, however the Directors are of the opinion that the total contingent liability is approximately Tsh. 130 million. Full provision has been made in these financial statements for this amount.

**17.2 Tax claim**

As at March 13th 2003, there is a claim by the Tanzania Revenue Authority (TRA) that the company's tax holiday expires on September 10th, 2002, being the fifth anniversary of the Tanzania Investment Act 1997 and that the company is liable to pay corporation tax amounting to Tsh. 1.6 billion related to the period from September 10th 2002 to December 31st 2002.

The company maintains it is entitled to a full five-year tax holiday expiring on July 31st 2003, and on the advice of external legal council is challenging the claim in the court.

It is not possible to predict the outcome of this claim and the court case however the Directors are of the opinion that no additional liability in excess of what has been provided in the financial statements will arise from this claim.

**18. Post balance sheet events**

At the date of signing the financial statements, the Directors are not aware of any events which could have material impact on the disclosures contained in these financial statements.

**19. Comparative figures**

Where necessary, comparative figures have been restated to conform with changes in presentation in the current year.

**20. Currency**

These financial statements are presented in millions of Tanzania Shillings (Tsh. M).

**NOTICE OF ANNUAL GENERAL MEETING**

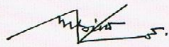
**NOTICE IS HEREBY GIVEN THAT** the 38th Annual General Meeting of the Members of Tanzania Cigarette Company Limited in respect of the year ended December 31, 2002 will be held at the Royal Palm Hotel, Dar es Salaam Tanzania, on Friday April 4, 2003 at 11.00 hours.

**AGENDA :**

1. Confirmation of the Minutes of the previous Annual General Meeting.
2. Matters Arising.
3. Adoption of Accounts:  
To receive, consider and adopt Director's Report and the Accounts for the Financial Year ended December 31, 2002.
4. To adopt the Declaration of Dividend.
5. To Appoint the Auditors for the next financial year.
6. Resignation and Appointment of Directors.
7. Remuneration of the Directors.
8. Any Other Business.

**Notes:**

1. A member wishing to attend the meeting must come with a copy of his/her depository receipt or share certificate and his/her identification card.
2. A member entitled to attend and vote at the meeting is entitled to appoint a **PROXY** to attend and vote in his/her stead in accordance with the provisions of the Company's Articles. A proxy form must be deposited at the Registered Office of the Company so as to arrive not later than 10.00 hours Thursday, April 3, 2003.

**BY ORDER OF THE BOARD**

**Vintan Willgis Mbiro**  
COMPANY SECRETARY  
13 March, 2003

Plot N0. 20 Nyerere Road  
P.O. Box 40114  
Dar es Salaam.



**PROXY**

To:  
The Company Secretary  
Tanzania Cigarette Company Limited  
P.O. Box 40114  
Dar es Salaam.

I/We .....  
.....  
.....  
.....of P.O. Box.....  
.....

member/ members of Tanzania Cigarette Company Limited appoint  
.....  
.....  
..... of P.O. Box .....  
.....

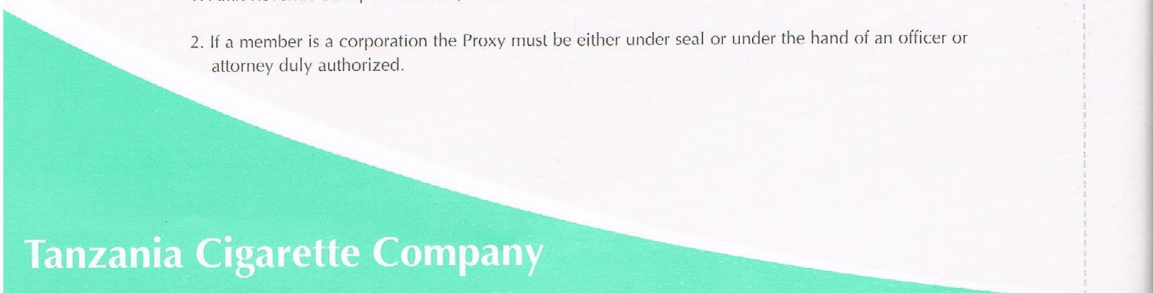
as my/our Proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Friday, April 4, 2003, at the Royal Palm Hotel, Dar es Salaam, or at any adjournment thereof.

As witness my/our hand/s this.....Day of .....2003.

.....  
(Signature)

**Note:**

- 1. Affix Revenue Stamp of Tsh. 200/=
- 2. If a member is a corporation the Proxy must be either under seal or under the hand of an officer or attorney duly authorized.



Tanzania Cigarette Company Limited  
20 Nyerere Road, PO Box 40114, Dar es Salaam.  
Tel: +255 22 286 3382, Fax: +255 22 286 3382

Tanzania Cigarette Company