

**Annual Report 2004**

For the Year Ended December 31, 2004

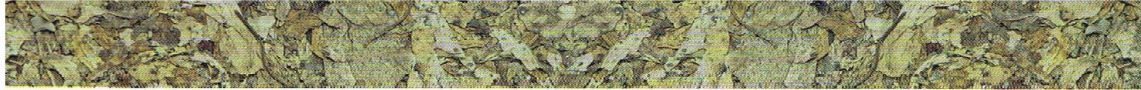
**TANZANIA CIGARETTE COMPANY**





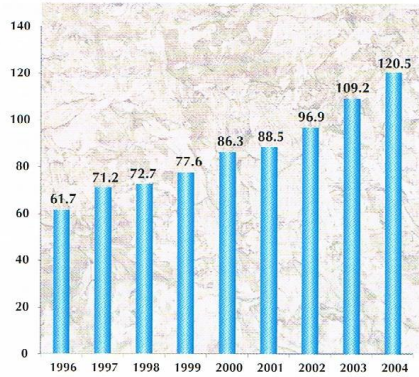
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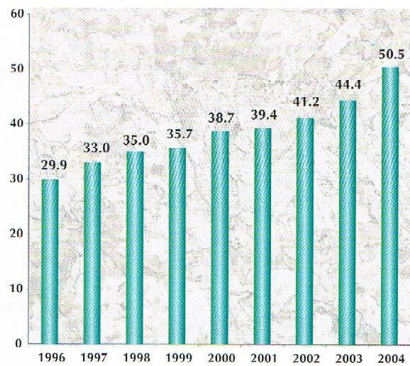
## HIGHLIGHTS FOR 2004

### Sales turnover 1996 - 2004 (Tsh billion)



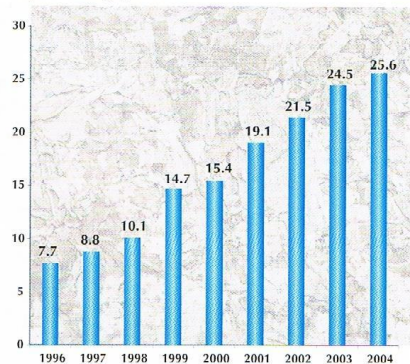
Gross turnover up by Tsh **11.3** billion or 10% from Tsh **109.2** billion in 2003 to Tsh **120.5** billion in 2004.

### Excise duty and VAT 1996 - 2004 (Tsh billion)



Excise duty and VAT up by Tsh **6.1** billion or 14% from Tsh **44.4** billion in 2003 to Tsh **50.5** billion in 2004.

### Operating profits 1996 - 2004 (Tsh billion)

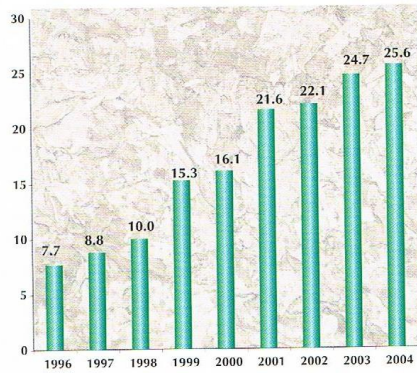


Operating profit up by Tsh **1.1** billion or 4% from Tsh **24.5** billion in 2003 to Tsh **25.6** billion in 2004.



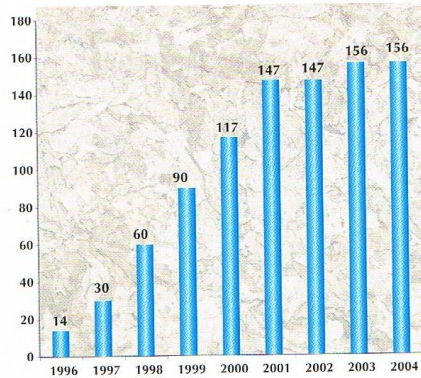
## HIGHLIGHTS FOR 2004 (continued)

### Profit before tax 1996 - 2004 (Tsh billion)



Profit before tax up by Tsh **0.9** billion or 4% from Tsh **24.7** billion in 2003 to Tsh **25.6** billion in 2004.

### Ordinary dividend 1996 - 2004 (Tsh per share)



Gross ordinary dividend maintained at Tsh **156** per share.

Note: Special dividend per share

FY 2001: Tsh 80

FY 2002: Tsh 160

FY 2003: Tsh 63



## FROM THE CHAIRMAN

### Business environment

The business environment surrounding the world tobacco business continued to be difficult in 2004. There were a number of lawsuits against tobacco companies, a ban on the use of words such as "mild" and "light" to describe tobacco products in many countries, and the adoption by the World Health Organisation of the first-ever international treaty on tobacco control. In Tanzania, cigarette excise tax went up 5%. The Shilling depreciated 5% in the first half of 2004 and the presence of untaxed international cigarette brands continued unabated.

### 2004 Company Performance

Despite these challenges, I am pleased to report another year of solid performance. Net turnover (excluding excise duty and VAT) increased 8% and gross profits were up 6% from the previous year.

Pricing of our brands remained unchanged during the year, with TCC absorbing the excise increase of July 2004. This contributed to record unit sales. 2004 exports were also at an all time high.

Profit before taxation increased 4%, which in part reflected the continued investment made in 2004 behind our brands and selling infrastructure. This investment is critical to the long-term health of the business, as the market is increasingly open to competition from within Tanzania and our East African neighbours.

TCC's tax holiday expired on July 31, 2003, after which the Company's profits have been subject to corporation tax. This impacted the net profit in 2004.



### TCC Dividend

It is my pleasure to announce that the TCC Board of Directors has declared a final net dividend of Tsh 74 per share for 2004. This will be paid to all shareholders registered at the Dar es Salaam Stock Exchange at closure of the register on April 6, 2005. Together with the interim net dividend of Tsh 74 per share, this provides a total net dividend of Tsh 148 per share.

### Tax contributions made by TCC

The Government and the people of Tanzania continue to benefit from TCC's solid and consistent business performance. The Company contributed approximately Tsh 60 billion in various taxes to the Government during the year, up 26% from 2003. This contribution is equivalent to 5% of the estimated Government Development Budget for 2003/04.

### Social Responsibility

The Company contributed over Tsh 100 million to various community initiatives during 2004. TCC implemented a Health and Safety Program aimed at protecting the environment and minimizing the risk of work-related accidents. TCC's Environmental Protection Program was ISO 14001 certified in 2004, one of the first companies in Tanzania to receive this certification.

In addition, TCC was a founding member of the AIDS Business Coalition of Tanzania (ABCT). Formed in 2004, ABCT's mission is to share best practices among businesses in the fight against the HIV/AIDS pandemic.



## FROM THE CHAIRMAN (continued)

### Corporate governance

TCC, a subsidiary of JT International Holding BV and publicly listed on the Dar es Salaam Stock Exchange, is committed to the principles and practices of good corporate governance, and strictly follows Japan Tobacco's global standards, policies and procedures.

### Prospects for 2005

The outlook for 2005 is marked with a number of uncertainties. Performance will depend on the strength of the economy, the development of the Shilling, excise taxation and the competitive environment. Two new competitors entered the market in early 2005, and the East African Customs Union commenced on January 1st, 2005.

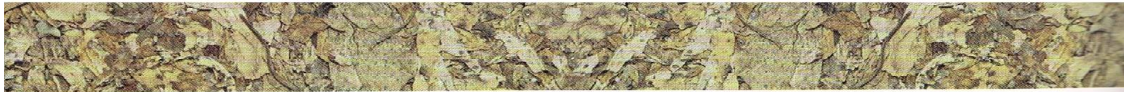
However, I am optimistic about the Company's prospects for 2005. This is based on the strength of our employees, the equity of our brands, the support from our parent company Japan Tobacco, our sales and distribution infrastructure and our ability to react to new challenges.

### Conclusion

On behalf of the Board of Directors, thanks to the many stakeholders that have contributed to TCC's continued success; the tobacco farmers and processors, suppliers, distributors, kiosk and vendor cart retailers, employees, the Government and its agencies, TCC's parent company, JT International, our loyal customers and shareholders.

Yours sincerely,

**William Schulz, Jr.**  
Chairman and CEO.  
March 8, 2005



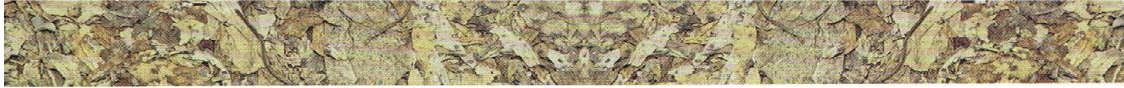
## BUSINESS REVIEW

### Sales and Marketing

Total unit sales increased 7.5% in 2004, with TCC achieving record sales in both Tanzania and export markets. Net sales turnover increased 8% to Tsh 70 billion. Most of the growth came from our higher margin brands of Sportsman, Sweet Menthol and Embassy. The key drivers of this performance were the investments in the sales and distribution infrastructure and in further building brand equity. Retail pricing was also maintained during the year, with the Company absorbing the excise tax increase of July 2004. Stability in pricing, an optimistic outlook for the Tanzania economy, and the ability of TCC to positively adapt to changes in the external environment, provides confidence for the future.

Camel Full Flavor and Camel Lights were launched in 2004. Together with the Winston brand, Tanzania consumers are able to enjoy two of the world's top five selling brands.

New thematic campaigns were rolled out in 2004. The Sportsman campaign demonstrates highlights of everyday life. The Sweet Menthol campaign depicts turning ordinary moments into fun moments. The Sweet Menthol Fiesta, held annually, was a bigger success than ever. Over fifty music acts performed at the event in Dar es Salaam, and over 12,000 adults attended. For the first time, the Sweet Menthol Fiesta was also staged in Arusha and Mwanza, and attended by over 25,000 adults.



## BUSINESS REVIEW (continued)

During the year, TCC worked closely with relevant agencies to stem the unabated flow of untaxed cigarettes. Untaxed cigarettes, commonly referred to as contraband, continued to negatively impact both the Company and the Tanzania Government in terms of its tax revenue collection. The lack of a tax stamp scheme in Zanzibar to distinguish legal from illegal cigarettes remains a concern. TCC is working closing with the Zanzibar authorities to address this weakness.

Export sales continued to show positive growth momentum, driven by the growth of Sportsman in Democratic Republic of Congo and Club in Mozambique.

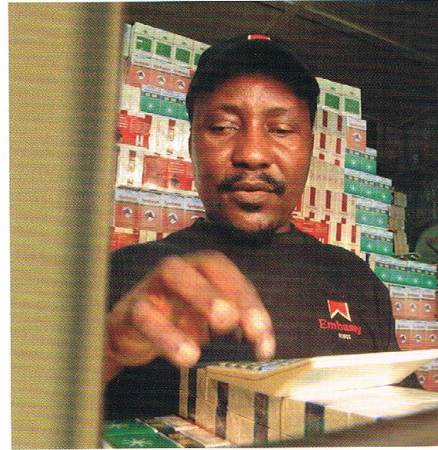
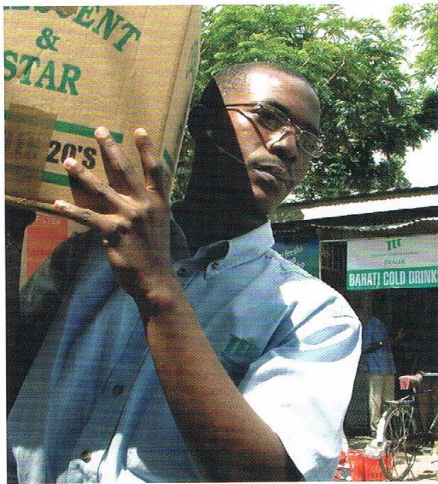
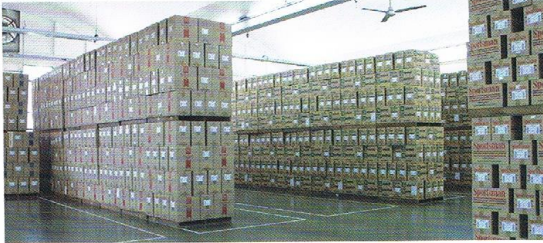
### Manufacturing

Improvement in quality and operating performance continued to be the key focus in manufacturing. The Company invested in new machinery and equipment to improve product quality, output and the general working environment of TCC employees. A global Enterprise Resource Planning system, driven by SAP software, was implemented to help optimise the Company's purchasing, production and selling activities. This required a team of 14 Tanzanians to spend most of 2004 in the JT International manufacturing centre in Trier, Germany. The benefits of this new system will materialise in the form of operating efficiency and improved quality of management information for decision-making.

An environmental, health and safety program was implemented during 2004. The program aims to minimize waste, cut emissions, conserve energy and avoid accidents at the work place. The Company was also ISO 14001 certified during the year. This is in line with the direction set by the parent company JT International, and is a requirement for all factories operating under the Japan Tobacco umbrella.



## BUSINESS REVIEW (continued)



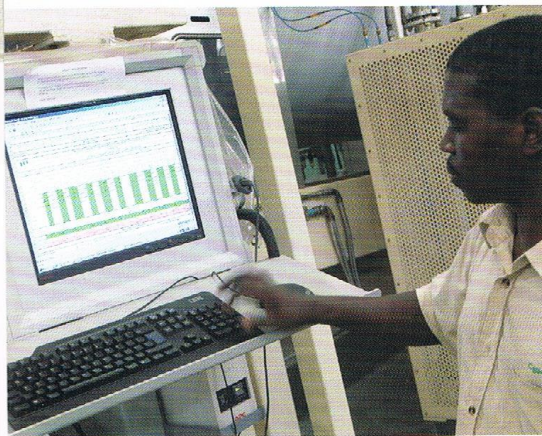
### Human Resources

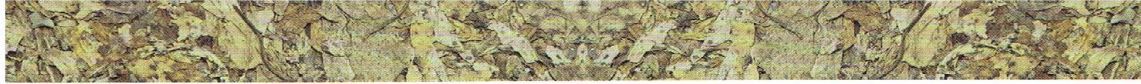
The Company continued to place greater emphasis on recruiting new talent, training and development of employees. This investment reflects the Company's continued belief in its employees, and its commitment to reinforce and build its human capital as a key driver for sustainable, quality growth.

A new program "Nyota" was initiated in 2004, which re-enforces the Company's corporate values and culture in line with its parent company JT International. In addition, a new performance driven bonus scheme for all employees was implemented with positive results.

The Company encourages employee participation in its business, and runs an active employee suggestion scheme. It publishes regular internal publications to keep employees informed of developments, and has various employee work groups who are empowered to make and implement decisions.

TCC is an equal opportunity employer and does not discriminate. It recruits new employees on the basis of ability and potential.






## BUSINESS REVIEW (continued)

### Social Responsibility

#### Corporate Philanthropy, Corporate Governance, Responsible Marketing

As a responsible corporate citizen, TCC is fully committed to supporting the surrounding communities and adhering to the highest standards of business ethics and practices.

TCC contributed over Tsh100 million to various community initiatives in the community, with a focus on education, provision of clean water, HIV and AIDS and orphaned children. TCC is also a founding member of the Aids Business Coalition of Tanzania (ABCT), launched in August 2004. ABCT is committed to sharing best practice among Tanzanian businesses for fighting the HIV/AIDS pandemic.



**AFYA YAKO,  
KIPAUMBELE  
CHAKO!**

**Haikutozi chochote  
kujua hali ya afya yako.**

UCHUNGUZI WA AFYA:  
**7 - 18 Februari 2005**

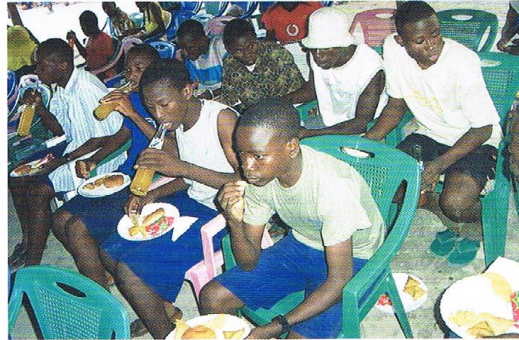
MUDA:  
**2:00 asubuhi - 10:30 mchana.**

MAHALI: **TCC**

TCC Kampuni ya Sigara Tanzania



**Environmental Management System  
ISO 14001 Certified**



TCC, a subsidiary of JT International BV and publicly listed on the Dar es Salaam Stock Exchange, is committed to the principles and practices of good corporate governance, and strictly follows its parent company's global standards, policies and procedures.

TCC recognizes that it produces a controversial but legal product. In recognition of this, all marketing activities were conducted in a responsible manner. TCC believes no one should smoke without the knowledge of the risks of smoking. Minors should not smoke. At all times smokers should show courtesy to non-smokers and to society. TCC advocates reasonable solutions to accommodate smokers and non-smokers.

TCC's marketing activities were also guided by a set of International Marketing Standards (IMS). The IMS were developed in cooperation with a number of responsible global tobacco companies. They restrict broadcast and electronic media marketing to adults, limit the size of billboards and their location from schools attended by minors and limit advertising in print media to those whose readership is over 75% adult. They also restrict false advertising content, require all advertising to carry a health warning and restrict promotional offers, programs and sponsorship activities to adults.

**CORPORATE INFORMATION**  
For the year ended 31 December 2004

**DIRECTORS AND ADVISORS**

**Directors**

Mr. William Schulz, Jr. (Chairman and CEO)  
Mr. Gray Mgonja\*  
Mr. Naftal Nsemwa\*  
Ms. Maria Kejo\*  
Mr. James Riordan\*  
Mr. David Thorn  
Mr. Juergen Rademacher

\* Non-executive Directors

**Auditors**

Deloitte & Touche  
10th Floor PPF Tower, Ohio Street  
P.O. Box 1559  
Dar es Salaam

**Principal bankers**

Standard Chartered Bank Tanzania Ltd.  
CRDB Bank Ltd.  
National Bank of Commerce Ltd.  
National Micro-Finance bank Ltd.  
Citibank Tanzania Ltd.  
Barclays Bank Tanzania Ltd.

**Secretary & registered office**

Mr. Vintan Willgis Mbiro  
20 Nyerere Road  
P.O. Box 40114  
Dar es Salaam  
Tel: +255 22 2860150

**SHAREHOLDING STRUCTURE**

Shareholder	% Holding**
JT International Holding B.V.	75.0%
Public Service Pension Fund	3.1%
Unit Trust of Tanzania	3.0%
Parastatal Pensions Fund	2.9%
The Principal Secretary Treasury	2.5%
National Social Security Fund	2.1%
Others	11.4%
Total	100.0%

Shareholder classification	% Holding**
Tanzanian	25.0%
Foreign	75.0%
Total	100.0%

\*\*Based on share register as at 6 October 2004



## REPORT OF THE DIRECTORS For the year ended 31 December 2004

The directors present their report and the audited financial statements for the year ended 31 December 2004 which disclose the state of affairs of the company and the group.

### ACTIVITIES

The group's principal activities are the manufacture and sale of cigarettes.

### RESULTS

The group and company results for the year are set out on page 15. Group net profit for the year of Tshs. 17,839 million has been transferred to retained earnings (page 17).

### DIVIDENDS

The directors have declared a total gross ordinary dividend of Tshs. 15.6 billion (2003: Tshs. 15.6 billion) or Tshs 155.78 (2003: Tshs. 155.78) per share. An interim gross dividend of Tshs. 7.8 billion or Tshs. 77.89 per share was paid in October 2004 (2003: Tshs 7.8 billion or Tshs. 77.89 per share). Therefore, the final gross ordinary dividend will be Tshs. 7.8 billion or Tshs. 77.89 (2003: Tshs. 7.8 billion or Tshs. 77.89 per share).

The total of the final ordinary dividend net of 5% withholding tax will be Tshs. 7.4 billion or Tshs. 74.0 per share (2003: including a special dividend, Tshs. 13.4 billion or Tshs. 134.00 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.

### DIRECTORS

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

William Schulz, Jr.	Chairman and Chief Executive Officer	American
Gray Mgonja	Director (Non -Executive)	Tanzanian
Maria Kejo	Director (Non -Executive)	Tanzanian (appointed 30 March 2004)
Naftal M. Nsemwa	Director (Non- Executive)	Tanzanian
David Thorn	Director (Executive)	British
Juergen Rademacher	Director (Executive)	German
James Riordan	Director (Non - Executive)	Irish

In accordance with article 72 (a) of the amended Articles of Association, Messrs Juergen Rademacher and Naftal M. Nsemwa retire from the Board by rotation at the Annual General Meeting and do not offer themselves for re-election.

### DIRECTORS' INTERESTS

The directors do not hold any material interest in the issued share capital of the company. Executive directors of Tanzanian nationality are permitted to receive share options from the Employee Share Option Scheme Trust.



**REPORT OF THE DIRECTORS (continued)**  
**For the year ended 31 December 2004**

**SOLVENCY**

The state of affairs of the group and company as at 31 December 2004 is set out on page 16 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 is still in effect.

**CONTINGENT LIABILITIES**

The Company is currently involved in litigation, with various third parties with respect to commercial, labour and tax disputes as stated in note 17 to the financial statements.

**AUDITORS**

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

**BY ORDER OF THE BOARD**

**William Schulz, Jr.**  
Chairman and CEO.  
March 8, 2005

**Maria Kejo**  
Director  
March 8, 2005



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Ordinance (Cap. 212) 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 and group as at the end of the financial year and of the operating results of the company and group for that year. It also requires the directors to ensure 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 and group.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with Tanzania Financial Accounting Standards and in the manner required by the Companies Ordinance (Cap. 212). 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 group and of their 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.

**William Schulz, Jr.**  
Chairman and CEO.  
March 8, 2005

**Maria Kejo**  
Director  
March 8, 2005



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TANZANIA CIGARETTE COMPANY LIMITED**

We have audited the financial statements on pages 15 to 30 for the year ended 31 December 2004 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 13, 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 company 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 2004 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 & Touche  
Certified Public Accountants (T)

**March 8, 2005**  
**Dar es Salaam**



## INCOME STATEMENT For the year ended 31 December 2004

	Notes	GROUP		COMPANY	
		2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>Gross turnover</b>		120,517	109,226	120,517	109,226
Excise duty and VAT		<u>(50,529)</u>	<u>(44,406)</u>	<u>(50,529)</u>	<u>(44,406)</u>
<b>Net turnover</b>		69,988	64,820	69,988	64,820
Cost of sales		<u>(24,896)</u>	<u>(22,455)</u>	<u>(24,896)</u>	<u>(22,455)</u>
<b>Gross profit</b>		<b>45,092</b>	<b>42,365</b>	<b>45,092</b>	<b>42,365</b>
Selling and distribution costs		(9,722)	(8,882)	(9,722)	(8,882)
General and administrative costs		(9,555)	(8,924)	(9,548)	(8,912)
Other operating expenses		<u>(261)</u>	<u>(48)</u>	<u>(261)</u>	<u>(48)</u>
<b>Operating profit</b>	2	<b><u>25,554</u></b>	<b><u>24,511</u></b>	<b><u>25,561</u></b>	<b><u>24,523</u></b>
Net finance income	3	72	176	72	176
<b>Profit before taxation</b>		<b>25,626</b>	<b>24,687</b>	<b>25,633</b>	<b>24,699</b>
Taxation charge	4	<u>(7,787)</u>	<u>(1,127)</u>	<u>(7,787)</u>	<u>(1,127)</u>
<b>Net profit for the year</b>		<b><u>17,839</u></b>	<b><u>23,560</u></b>	<b><u>17,846</u></b>	<b><u>23,572</u></b>
<b>Earnings per share (Tshs.)</b>					
<b>Basic and diluted</b>	5	<u>178.39</u>	<u>235.60</u>		
<b>Dividend per share (Tshs.)</b>	11	<u>156</u>	<u>219</u>		

**BALANCE SHEET**  
As at 31 December 2004

	Notes	GROUP		COMPANY	
		2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>ASSETS</b>					
<b>Non current assets</b>					
Property, plant and equipment	6	21,937	20,273	21,937	20,273
Investments	7	<u>300</u>	<u>300</u>	<u>834</u>	<u>834</u>
		<u>22,237</u>	<u>20,573</u>	<u>22,771</u>	<u>21,107</u>
<b>Current assets</b>					
Inventories	8	12,245	14,582	12,245	14,582
Trade and other receivables	9	4,901	3,216	4,913	3,216
Taxation recoverable		1,868	886	1,868	886
Bank balances and cash		<u>17,528</u>	<u>23,149</u>	<u>17,523</u>	<u>23,144</u>
		<u>36,542</u>	<u>41,833</u>	<u>36,549</u>	<u>41,828</u>
<b>Total assets</b>		<u>58,779</u>	<u>62,406</u>	<u>59,320</u>	<u>62,935</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	10	2,000	2,000	2,000	2,000
Revaluation reserve		4,369	4,369	4,369	4,369
Retained earnings		28,356	26,095	28,900	26,632
Proposed dividends	11	<u>7,789</u>	<u>14,105</u>	<u>7,789</u>	<u>14,105</u>
Shareholders' equity		<u>42,514</u>	<u>46,569</u>	<u>43,058</u>	<u>47,106</u>
<b>Non current liabilities</b>					
Deferred tax liability	12	<u>1,673</u>	<u>1,491</u>	<u>1,673</u>	<u>1,491</u>
<b>Current liabilities</b>					
Trade and other payables	13	<u>14,592</u>	<u>14,346</u>	<u>14,589</u>	<u>14,338</u>
<b>Total equity and liabilities</b>		<u>58,779</u>	<u>62,406</u>	<u>59,320</u>	<u>62,935</u>

The financial statements on pages 15 to 30 were approved by the board of directors on March 8, 2005 and were signed on its behalf by:

William Schulz, Jr.  
Chairman and CEO.

Maria Kejo  
Director

**STATEMENTS OF CHANGES IN EQUITY**  
For the year ended 31 December 2004

	Share capital Tshs. M	Revaluation reserve Tshs. M	Retained earnings Tshs. M	Proposed dividend Tshs. M	Total Tshs. M
<b>GROUP</b>					
At 1 January 2003	2,000	4,369	24,426	16,421	47,216
Net profit for the year	-	-	23,560	-	23,560
Dividend payable	-	-	(7,789)	(16,421)	(24,210)
Proposed dividend	-	-	(14,105)	14,105	-
Translation adjustment	-	-	3	-	3
At 31 December 2003	<u>2,000</u>	<u>4,369</u>	<u>26,095</u>	<u>14,105</u>	<u>46,569</u>
At 1 January 2004	2,000	4,369	26,095	14,105	46,569
Net profit for the year	-	-	17,839	-	17,839
Dividend payable	-	-	(7,789)	(14,105)	(21,894)
Proposed dividend	-	-	(7,789)	7,789	-
At 31 December 2004	<u>2,000</u>	<u>4,369</u>	<u>28,356</u>	<u>7,789</u>	<u>42,514</u>
<b>COMPANY</b>					
At 1 January 2003	2,000	4,369	24,954	16,421	47,744
Net profit for the year	-	-	23,572	-	23,572
Dividend payable	-	-	(7,789)	(16,421)	(24,210)
Proposed dividend	-	-	(14,105)	14,105	-
At 31 December 2003	<u>2,000</u>	<u>4,369</u>	<u>26,632</u>	<u>14,105</u>	<u>47,106</u>
At 1 January 2004	2,000	4,369	26,632	14,105	47,106
Net profit for the year	-	-	17,846	-	17,846
Dividend payable	-	-	(7,789)	(14,105)	(21,894)
Proposed dividend	-	-	(7,789)	7,789	-
At 31 December 2004	<u>2,000</u>	<u>4,369</u>	<u>28,900</u>	<u>7,789</u>	<u>43,058</u>

**CASH FLOW STATEMENT**  
For the year ended 31 December 2004

	Notes	GROUP		COMPANY	
		2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>Operating activities</b>					
Cash generated from operation	14.1	29,383	30,350	29,383	30,352
Interest received		371	326	371	326
Taxation paid		<u>(8,587)</u>	<u>(3,175)</u>	<u>(8,587)</u>	<u>(3,175)</u>
Net cash from operating activities		<u>21,167</u>	<u>27,501</u>	<u>21,167</u>	<u>27,501</u>
<b>Investing activities</b>					
Loan repayments		-	285	-	285
Proceeds on disposal of property, plant and equipment		1,209	470	1,209	470
Purchase of property, plant and equipment		<u>(5,635)</u>	<u>(3,957)</u>	<u>(5,635)</u>	<u>(3,957)</u>
Net cash used in investing activities		<u>(4,426)</u>	<u>(3,202)</u>	<u>(4,426)</u>	<u>(3,202)</u>
<b>Financing activities</b>					
Dividends paid	14.3	<u>(22,362)</u>	<u>(24,160)</u>	<u>(22,362)</u>	<u>(24,160)</u>
Net increase in bank balances and cash		(5,621)	139	(5,621)	141
Bank balances and cash at beginning of year		<u>23,149</u>	<u>23,010</u>	<u>23,144</u>	<u>23,003</u>
Bank balances and cash at end of year		<u>17,528</u>	<u>23,149</u>	<u>17,523</u>	<u>23,144</u>



## NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2004

### 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Tanzania Financial Accounting Standards. The principal accounting policies adopted remain unchanged from the previous year and 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 property, plant and equipment.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and its subsidiary, TCC (Kenya) Limited, made up to 31 December 2004.

All inter-company transactions, balances and unrealised gains on transactions between the two companies have been eliminated on consolidation. Unrealised losses are also eliminated unless cost cannot be recovered.

#### **Revenue recognition**

Gross turnover comprises the invoiced value of sales and is recognised upon delivery of goods to customers. Gross turnover excludes excise duty and value added tax.

Interest income is recognised on an accruals basis.

#### **Inventories**

Inventories are stated at the lower of cost and net realisable 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 realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### **Property, plant and equipment**

Property, plant and equipment is stated at cost or as professionally valued less accumulated depreciation.

Depreciation is calculated on the straight-line basis at rates that will write down the cost of each asset, or the revalued amount, to its residual value over its estimated useful life as follows:

	%
Leasehold land and permanent buildings	2.0
Temporary buildings	33.3
Plant and machinery	5.0 - 20.0
Other equipment	10 - 33.3
Motor vehicles	25 - 33.3
Advertising equipment	25.0
Capital work in progress	Nil



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

**ACCOUNTING POLICIES (continued)**

Property, plant and equipment were last revalued in 1994 and the revaluation surplus recorded in the financial statements. Since 1994 the company adopted a policy not to revalue property, plant and equipment and to record additions at cost.

Property, plant and equipment are periodically reviewed for impairment. If the carrying value of an asset is estimated to be greater than its recoverable amount, it is written down to its estimated recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying value and included in the determination of operating profit.

**Foreign currency translation**

Foreign currency transactions during the year are translated into Tanzania Shillings at the average monthly exchange rate ruling at the date of transaction. All assets and liabilities denominated in foreign currencies are translated into Tanzania Shillings at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the income statement in the year in which they arise.

**Investments**

Investments are stated at cost and provision is only made where, in the opinion of the directors, there is a permanent diminution in value. Where there has been a permanent diminution, in the value of an investment, it is recognised as an expense in the income statement in the period in which diminution is identified.

**Trade and other receivables**

Trade and other receivables are stated at invoice amounts less provision for impairment. A provision for impairment is established when there is objective evidence that the company will not be able to collect the amounts due according to the original terms of the original receivable. Provisions for impairment are recorded in the year in which they are identified.

**Trade and other payables**

Trade and other payables are stated at their nominal value.

**Cash and cash equivalents**

For the purpose of the 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.

**Retirement benefits obligations**

The group makes statutory contributions to the National Social Security Fund (NSSF) and Parastatal Pension Fund (PPF). The group's obligations with respect to contributions are 10% and 15% of the employees' gross emoluments for NSSF and PPF members respectively. The group's contributions with respect to these retirement benefits obligations are charged to the income statement in the period to which they relate.



## **NOTES TO THE FINANCIAL STATEMENTS (continued)** **For the year ended 31 December 2004**

### **ACCOUNTING POLICIES (continued)**

#### **Taxation**

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

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which temporary differences may be utilised.

#### **Dividends**

Dividends on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

#### **Comparatives**

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



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

**ACCOUNTING POLICIES (continued)**

Property, plant and equipment were last revalued in 1994 and the revaluation surplus recorded in the financial statements. Since 1994 the company adopted a policy not to revalue property, plant and equipment and to record additions at cost.

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**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

**ACCOUNTING POLICIES (continued)**

**Taxation**

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

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which temporary differences may be utilised.

**Dividends**

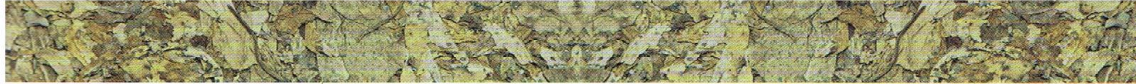
Dividends on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

**Comparatives**

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

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>2. OPERATING PROFIT</b>				
<b>Operating profit has been arrived at after charging/(crediting):</b>				
Directors' fees	15	7	15	7
Auditor's remuneration:				
Audit fees	70	61	70	60
Other services	-	30	-	30
Staff costs	6,213	5,935	6,213	5,935
Depreciation	3,279	2,978	3,279	2,978
Technical service fees	2,644	2,870	2,644	2,870
Loss on disposal of property, plant and equipment	-	288	-	288
Property, plant and equipment written off	36	79	36	76
Profit on disposal of property, plant and equipment	(551)	-	(551)	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Included within staff costs are:</b>				
NSSF and PPF contributions	<u>391</u>	<u>387</u>	<u>391</u>	<u>387</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b>2004 Number</b>	<b>2003 Number</b>	<b>2004 Number</b>	<b>2003 Number</b>
Number of persons employed at the year end	<u>651</u>	<u>693</u>	<u>651</u>	<u>693</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<b>2004 Tshs. M</b>	<b>2003 Tshs. M</b>	<b>2004 Tshs. M</b>	<b>2003 Tshs. M</b>
<b>3. NET FINANCE INCOME</b>				
Net foreign exchange losses	(299)	(150)	(299)	(150)
Interest receivable	<u>371</u>	<u>326</u>	<u>371</u>	<u>326</u>
	<u>72</u>	<u>176</u>	<u>72</u>	<u>176</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>4. TAXATION</b>				
Current taxation at 30%	7,605	7,869	7,605	7,869
Tax holiday (note 4.1)	-	(5,580)	-	(5,580)
	<u>7,605</u>	<u>2,289</u>	<u>7,605</u>	<u>2,289</u>
Prior years overprovision	-	(571)	-	(571)
Deferred taxation charge/(credit)	<u>182</u>	<u>(591)</u>	<u>182</u>	<u>(591)</u>
	<u><u>7,787</u></u>	<u><u>1,127</u></u>	<u><u>7,787</u></u>	<u><u>1,127</u></u>

**4.1 Tax holiday**

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 expired on 31 July 2003. In the previous financial year ended 31 December 2003, a tax charge of Tshs 2,289 million was made in the income statement in respect of the period from 1 August 2003 to 31 December 2003 on the basis of the results for that period.

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>4.2 Reconciliation of tax based on accounting profit to tax charge</b>				
Accounting profit before tax	<u>25,626</u>	<u>24,687</u>	<u>25,633</u>	<u>24,699</u>
Tax charge at 30%	7,687	7,407	7,690	7,410
Tax holiday	-	(5,580)	-	(5,580)
Income subject to lower rate of tax or not subject to tax	(184)	(147)	(184)	(147)
Disallowable expenditure	281	346	281	346
Prior years overprovision	-	(571)	-	(571)
Deferred tax adjustment	-	(331)	-	(331)
Deferred tax asset not recognised (note 4.3)	<u>3</u>	<u>3</u>	<u>-</u>	<u>-</u>
Taxation charge	<u><u>7,787</u></u>	<u><u>1,127</u></u>	<u><u>7,787</u></u>	<u><u>1,127</u></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 mainly comprised tax losses available for future relief.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

**5. EARNINGS PER SHARE**

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

	<b>GROUP</b>	
	<b>2004</b>	<b>2003</b>
Profit attributable to ordinary shareholders (Tshs.M)	17,839	23,560
Weighted average number of ordinary shares in issue (million)	100	100
Earnings per share (Tshs.)	<u>178.39</u>	<u>235.60</u>

There were no potentially dilutive shares outstanding at 31 December 2004 or 2003.

**6. PROPERTY, PLANT AND EQUIPMENT**

**Group and Company**

	<b>Leasehold property Tshs. M</b>	<b>Plant and machinery Tshs. M</b>	<b>Other equipment Tshs. M</b>	<b>Motor vehicles Tshs. M</b>	<b>Capital work in progress Tshs. M</b>	<b>Total Tshs. M</b>
<b>Cost</b>						
At 1 January 2004	10,294	19,945	2,469	3,078	2,210	37,996
Additions	391	1,850	909	1,549	936	5,635
Transfers	-	967	-	-	(967)	-
Disposals	<u>(573)</u>	<u>(315)</u>	<u>(347)</u>	<u>(1,104)</u>	<u>-</u>	<u>(2,339)</u>
At 31 December 2004	<u>10,112</u>	<u>22,447</u>	<u>3,031</u>	<u>3,523</u>	<u>2,179</u>	<u>41,292</u>
<b>Depreciation</b>						
At 1 January 2004	2,146	11,728	1,627	2,222	-	17,723
Charge for the year	291	2,068	300	618	-	3,277
Eliminated on disposals	<u>(75)</u>	<u>(262)</u>	<u>(204)</u>	<u>(1,104)</u>	<u>-</u>	<u>(1,645)</u>
At 31 December 2004	<u>2,362</u>	<u>13,534</u>	<u>1,723</u>	<u>1,736</u>	<u>-</u>	<u>19,355</u>
<b>Net book value</b>						
At 31 December 2004	<u>7,750</u>	<u>8,913</u>	<u>1,308</u>	<u>1,787</u>	<u>2,179</u>	<u>21,937</u>
At 31 December 2003	<u>8,148</u>	<u>8,217</u>	<u>842</u>	<u>856</u>	<u>2,210</u>	<u>20,273</u>

The capital work in progress represents expenditure incurred in respect of ongoing factory upgrade and branch renovations.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>7. INVESTMENTS</b>				
Investment in subsidiary	-	-	534	534
Loan receivable	<u>300</u>	<u>300</u>	<u>300</u>	<u>300</u>
	<u>300</u>	<u>300</u>	<u>834</u>	<u>834</u>

**Investment in subsidiary**

Investment in subsidiary represents the cost of shares in TCC (Kenya) Limited, a wholly-owned subsidiary, which is incorporated in Kenya under the Kenya 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 31 December 2002.

**Loan receivable**

Loan receivable of Tshs 300 million represents the balance on a loan of original amount of Tshs 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 that the Trust determines, based on the value of its assets compared to its obligations to the employees in accordance with the scheme.

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>8. INVENTORIES</b>				
Raw materials	6,966	9,618	6,966	9,618
Work in progress	29	105	29	105
Consumable stores	1,553	2,044	1,553	2,044
Goods in transit	835	1,337	835	1,337
Finished goods	<u>3,030</u>	<u>2,192</u>	<u>3,030</u>	<u>2,192</u>
	12,413	15,296	12,413	15,296
Provision for obsolete inventories	<u>(168)</u>	<u>(714)</u>	<u>(168)</u>	<u>(714)</u>
	<u>12,245</u>	<u>14,582</u>	<u>12,245</u>	<u>14,582</u>

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>9. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	3,872	1,705	3,872	1,705
Amounts due from related companies	72	834	84	834
Prepayments and other receivables	<u>1,413</u>	<u>982</u>	<u>1,413</u>	<u>982</u>
	5,357	3,521	5,369	3,521
Provision for doubtful receivables	<u>(456)</u>	<u>(305)</u>	<u>(456)</u>	<u>(305)</u>
	<u>4,901</u>	<u>3,216</u>	<u>4,913</u>	<u>3,216</u>

	2004		2003	
	Tshs. M		Tshs. M	
<b>10. SHARE CAPITAL</b>				
<b>Authorised:</b>				
125,000,000 Ordinary shares of Tshs. 20 each			<u>2,500</u>	<u>2,500</u>
<b>Issued and fully paid:</b>				
100,000,000 Ordinary shares of Tshs. 20 each			<u>2,000</u>	<u>2,000</u>

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 right to fixed income. The ownership structure of the company is as set out below:

	2004 Ordinary Shares Million	2003 Ordinary shares Million	2004 Holding %	2003 Holding %
<b>Resident shareholders:</b>				
United Republic of Tanzania	2.5	2.5	2.5	2.5
Unit Trust of Tanzania	3.0	3.0	3.0	3.0
General public	19.5	19.5	19.5	19.5
	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>
<b>Non-resident shareholders</b>				
JT International Holding 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 (continued)**  
**For the year ended 31 December 2004**

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>11. DIVIDENDS</b>				
<b>Paid:</b>				
Interim dividend	<u>7,789</u>	<u>7,789</u>	<u>7,789</u>	<u>7,789</u>
<b>Proposed:</b>				
Final dividend	7,789	7,789	7,789	7,789
Special dividend	<u>-</u>	<u>6,316</u>	<u>-</u>	<u>6,316</u>
Total proposed dividend at end of year	<u>7,789</u>	<u>14,105</u>	<u>7,789</u>	<u>14,105</u>
Total dividend for the year	<u>15,578</u>	<u>21,894</u>	<u>15,578</u>	<u>21,894</u>
Weighted average number of ordinary shares in issue (million)	<u>100</u>	<u>100</u>		
Dividend per share (Tshs)	<u>156</u>	<u>219</u>		

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>12. DEFERRED TAX</b>				
The net deferred tax liability is attributable to the following:				
Accelerated capital allowances	<u>1,673</u>	<u>1,491</u>	<u>1,673</u>	<u>1,491</u>
The movement on the deferred tax account is as follows:				
Balance at beginning of year	1,491	2,082	1,491	2,082
Charge/(credit) to income statement (note 4)	<u>182</u>	<u>(591)</u>	<u>182</u>	<u>(591)</u>
Balance at end of year	<u>1,673</u>	<u>1,491</u>	<u>1,673</u>	<u>1,491</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>14.3 Dividends paid</b>				
Dividend payable at 1 January	571	521	571	521
Dividend payable in the year	21,894	24,210	21,894	24,210
Dividend payable at 31 December	<u>(103)</u>	<u>(571)</u>	<u>(103)</u>	<u>(571)</u>
	<u>22,362</u>	<u>24,160</u>	<u>22,362</u>	<u>24,160</u>

**15. RELATED PARTY TRANSACTIONS**

**Group and Company**

The group transacts with the ultimate holding company and other companies related to it by virtue of common shareholding. These transactions are made on normal commercial terms and conditions.

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

**Contracts with related parties**

A technical and know-how services agreement with JT International Holding B.V. the 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 for the period is Tshs. M 2,644 (year 2003: Tshs. M 2,870).

**Other transactions with related parties**

	2004 Tshs. M	2003 Tshs.M
<b>i. Sale of goods</b>		
JT International Companies	<u>-</u>	<u>253</u>
<b>ii. Purchase of goods and services</b>		
JT International Companies	<u>7,958</u>	<u>4,722</u>

**iii. Related party balances**

Outstanding balances with related companies as at the year end are shown on the balance sheet and in notes 9 and 13.

	GROUP		COMPANY	
	2004 Tshs. M	2003 Tshs. M	2004 Tshs. M	2003 Tshs. M
<b>16. CAPITAL COMMITMENTS</b>				
Authorised but not contracted for	103	340	103	340
Authorised and contracted for	<u>824</u>	<u>841</u>	<u>824</u>	<u>841</u>
	<u>927</u>	<u>1,181</u>	<u>927</u>	<u>1,181</u>



**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2004**

**17. CONTINGENT LIABILITIES**

The Company is currently involved in a number of legal cases. The directors are of the opinion that no material liability will arise, hence, with the exception of estimated legal fees, no provision has been made in the financial statements.

**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. INCORPORATION**

The company is incorporated in Tanzania under the Companies Ordinance (Cap. 212).

**20. ULTIMATE PARENT COMPANY**

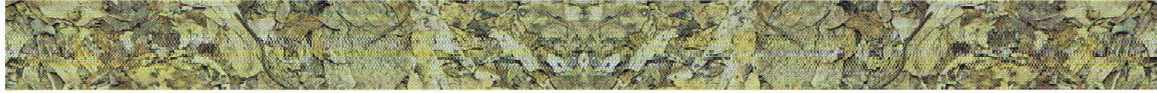
The parent company is J T International Holding B.V. and the ultimate parent company is Japan Tobacco Inc.

**21. COMPARATIVES FIGURES**

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

**22. CURRENCY**

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



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 40th Annual General Meeting of the Members of Tanzania Cigarette Company Limited in respect of the year ended December 31, 2004 will be held at the Movenpick Royal Palm Hotel, Dar es Salaam, Tanzania, on Friday April 1, 2005 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 Directors' Report and the Accounts for the Financial Year ended December 31, 2004.
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 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, March 31, 2005.

### BY ORDER OF THE BOARD

**Vintan Willgis Mbiro**  
COMPANY SECRETARY  
March 9, 2005

Plot No. 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 1, 2005, at the Mövenpick Royal Palm Hotel, Dar es Salaam, Tanzania, or at any adjournment thereof.

As witness my/our hand/s this .....day of ..... 2005.

.....  
(Signature)

**Note:**

1. Affix Revenue Stamp of Tanzanian shillings 500/=
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.

TCC MANAGEMENT TEAM



*Back row, left to right: William Schulz, Jr., (Chairman and CEO), Adeb Sabbagh (Director Sales and Marketing), Jesse Mwangi (National Sales Manager), David Thorn (Finance Director and CFO), Frank Usiri (Director Company Services)*

*Front row, left to right: Mariam Schulte (Human Resource Manager) Paul Makanza (Director Corporate Affairs), Vintan Mbiro (Director Legal Affairs), Juergen Rademacher (Manufacturing and Operations Director)*

Tanzania Cigarette Company Limited  
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Tel: +255 22 286 3382, Fax: +255 22 286 3382

This Tanzania Cigarette Company Annual Report 2004, is printed on environmentally friendly, chlorine-free paper and board.