



TCC

Tanzania Cigarette Company

2006

Annual Report

Tanzania Cigarette Company Limited

A Member of the **JTI** Group of Companies

CORE VALUES

MAKING A DIFFERENCE THROUGH QUALITY MUST BE EVIDENT IN EVERYTHING WE DO. WE CONSTANTLY IMPROVE OUR PRODUCTS AND SERVICES, MAXIMIZING SATISFACTION FOR ALL OUR STAKEHOLDERS.

QUALITY

WE RESPECT THE VIEWS OF SOCIETY ON TOBACCO, AND ARE ETHICAL AND RESPONSIBLE IN OUR ACTIVITIES. WE ARE PASSIONATE ABOUT OUR BUSINESS AND CELEBRATE SUCCESS.

COMMITMENT

WE LIVE A CULTURE OF IMAGINATION, CONSTANTLY SEARCHING FOR FRESH IDEAS. WE VALUE OUR PEOPLE FOR HAVING THE COURAGE TO DO THINGS DIFFERENTLY.

INNOVATION

BUILDING ON THE UNIQUE DIVERSITY OF OUR PEOPLE, WE BECOME A TRULY DIFFERENT, STIMULATING AND STRONGER ORGANIZATION. WORKING TOGETHER WITH A POSITIVE ATTITUDE IS VITAL FOR SUCCESS.

SYNERGY

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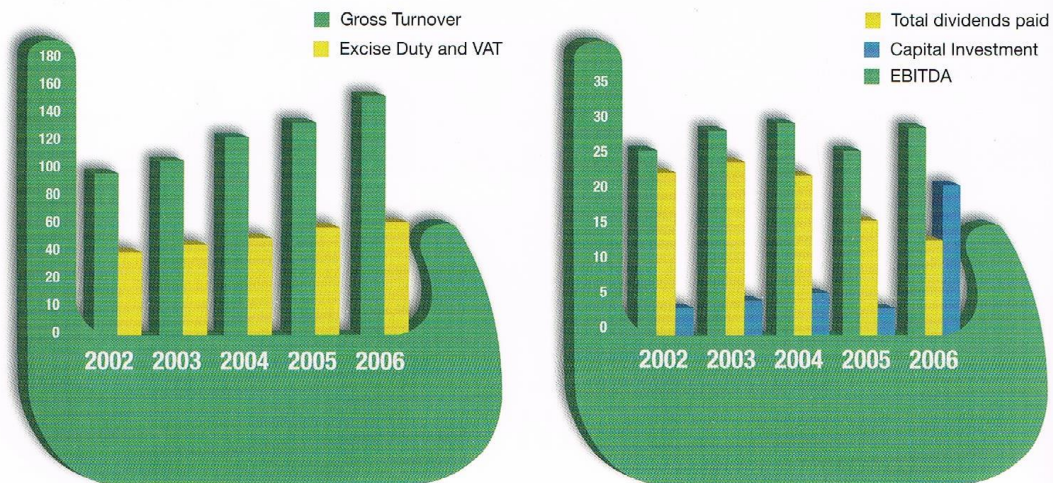
FINANCIAL HIGHLIGHTS

TANZANIA CIGARETTE COMPANY LIMITED

Consolidated Five-Year Financial summary

	TZS M				
	2002	2003*	2004	2005	2006
For the year:					
Gross Turnover	96,875	109,226	120,517	135,643	152,611
Excise Duty and VAT	41,174	44,406	50,529	59,305	65,146
Net sales	55,701	64,820	69,988	76,338	87,465
EBITDA ^(note 1)	24,516	27,489	28,833	27,173	29,371
Depreciation and amortization	2,980	2,978	3,279	3,782	5,075
Operating income	21,536	24,511	25,554	23,391	24,296
Net Finance income (expense)	570	176	72	376	(1,936)
Taxation	1,039	1,127	7,787	6,716	6,719
Net income	21,067	23,560	17,839	17,051	15,641
<small>* Tax holiday ended Aug '03</small>					
At year end:					
Net Property, plant and equipment	20,128	20,273	21,937	23,084	38,921
Total assets	59,869	62,406	58,779	60,823	73,448
Interest bearing debts	-	-	-	-	6,376
Total Liabilities	12,653	15,837	16,265	16,836	26,609
Total shareholders' equity	47,216	46,569	42,514	43,987	46,839
For the year:					
Net cash generated					
by operating activities	26,632	27,501	21,167	12,774	22,875
Net cash used in investing activities	(3,401)	(3,202)	(4,426)	(7,352)	(20,347)
Net cash used in financing activities	(22,174)	(24,160)	(22,362)	(15,566)	(6,439)
Cash Flow for the year	1,057	139	(5,621)	(10,144)	(3,911)

Notes: 1. EBITDA = operating income + depreciation and amortization



* EBITDA = operating income + depreciation + amortisation

**TANZANIA CIGARETTE COMPANY LIMITED
GROUP VALUE ADDED STATEMENT**

for the year ended 31 December 2006

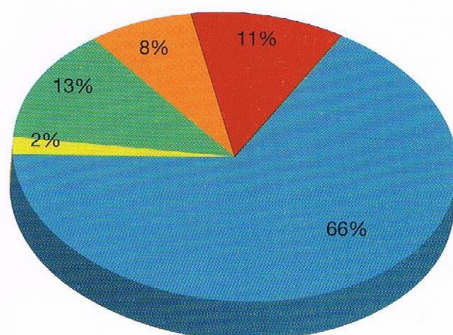
FINANCIAL HIGHLIGHTS

	2006		2005	
	TZS M	%	TZS M	%
Gross turnover	152,611		135,643	
Operating expenditures - Suppliers	(57,456)		(47,408)	
Income from investments	-		424	
Total Value added	<u>95,155</u>	100.0	<u>88,659</u>	100.0
Value distributed as follows:				
To Employees - remuneration	10,644	11.2	7,925	8.9
To Government - vat,excise duties	55,141	57.9	53,149	59.9
To Government - corporate tax	6,719	7.1	6,716	7.6
To Shareholders - dividends	12,789	13.4	15,566	17.6
To Lending institutions - finance costs	1,936	2.0	48	0.1
To Reinvestment:				
Depreciation and amortisation	5,075	5.3	3,782	4.3
Retained income	2,852	3.0	1,473	1.7
Total distributions	<u>95,155</u>	100.0	<u>88,659</u>	100.0

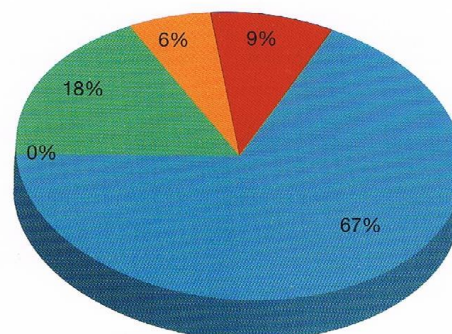
VALUE DISTRIBUTED

■ Employees ■ Government ■ Lenders ■ Shareholders ■ Reinvestment

2006

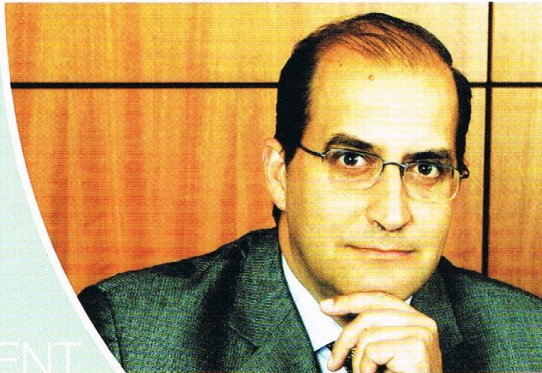


2005



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT



I am pleased to report that Tanzania Cigarette Company (TCC) delivered a solid performance for the year ended December 31, 2006. This performance was achieved against a very challenging operating environment, particularly in the first half of the year.

First half performance was constrained by a number of external factors. A severe drought and prolonged power shortages, coupled with high fuel costs and depreciation of the Shilling against major world currencies, impacted our sales, manufacturing and operating costs. However, some improvement in the operating environment and a price increase in July, 2006, ensured a strong second half year performance and a more balanced performance for the year.

Net turnover increased to TZS 87.47 billion from TZS 76.34 billion in 2005, a 14.6% growth on prior year after VAT and excise tax of TZS 65.15 billion. Operating income was up 4% to TZS 24.30 billion from TZS 23.40 billion in 2005. Net income, after finance and tax, was down 8.2% to TZS 15.65 billion from TZS 17.1 billion in 2005, mainly due to foreign exchange losses occasioned by the Shilling depreciation in 2006. Performance for the second half year was particularly encouraging, with a growth of 42.2% in operating income and 20.6% in net income against the corresponding period last year.

Despite the challenges faced, the Company remained focused and committed to its long-term business objectives and investment program.

The Company continued to invest heavily in plant and machinery to enhance production capacity, operational efficiency and product quality. The TZS 36 billion factory rejuvenation program, that began in 2005, is on track and is expected to be completed in 2009.

This is in addition to substantial investment behind core brands, selling and distribution infrastructure, training and development. A total of TZS 671 million was invested in various internal and external training and development programs in and outside Tanzania.

Prospects for 2007

I am positive about the Company's ability to successfully deal with the challenges and opportunities that 2007 will bring. The Company has invested significantly in the business and is still doing so. I have no doubt that this investment will be leveraged to fuel further growth, supported by the collective passion of our employees and our shareholders.

However, this optimism is subject to no unfavourable tax changes in the June 2007 National Budget, manageable cost inflation on imported raw materials, the stability of the Shilling against major world currencies and a reasonable tobacco regulatory environment.

I look forward to updating shareholders later in the year with first half year results.

TATIANA DEARDEN

Director Human Resources



CHERYL GROBBELAAR

Director Finance



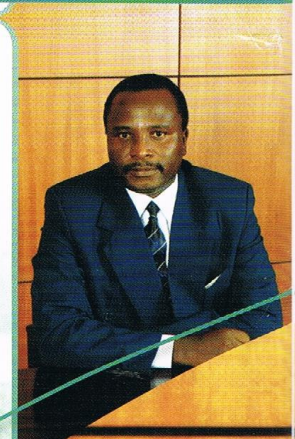
JESSE MWANGI

Director Consumer and Trade Marketing (Operations)



VINTAN MBIRO

Director Legal Affairs



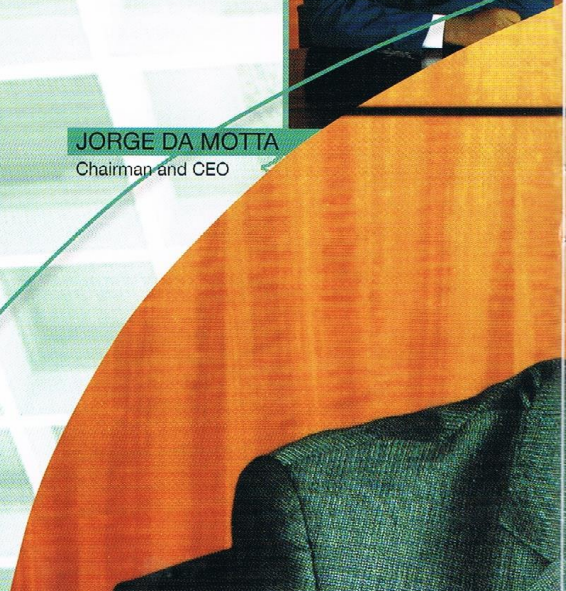
FRANK USIRI

Director Company Services

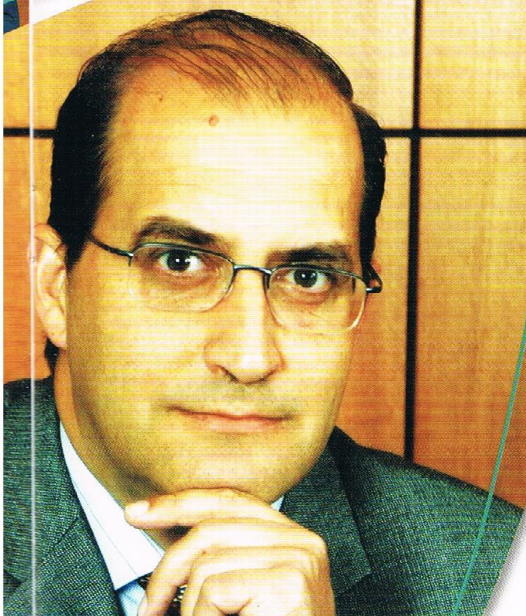


JORGE DA MOTTA

Chairman and CEO



MANAGEMENT TEAM



MICHAL BACHAN

Director Consumer and
Trade Marketing
(Portfolio and Brand Strategy)



ROY SIZEMORE

Director Manufacturing
and Operations



PAUL MAKANZA

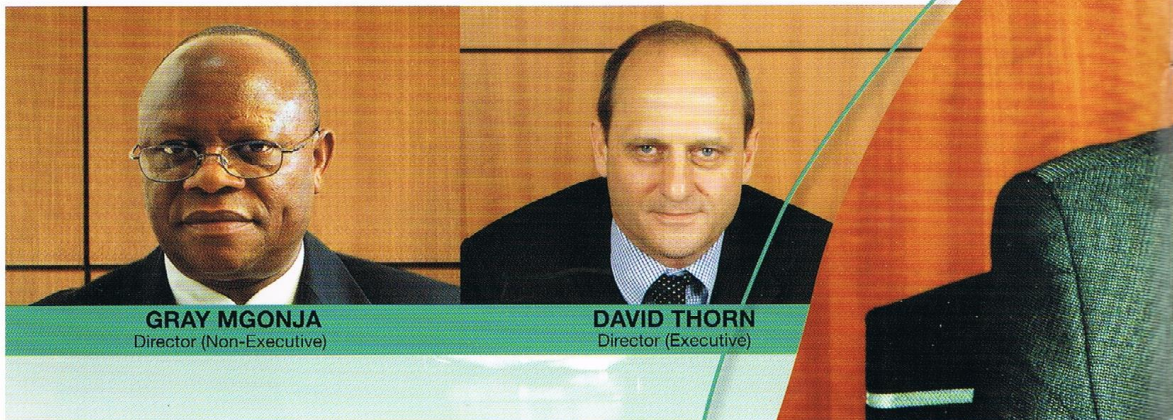
Director Corporate
Affairs



BOARD OF DIRECTORS

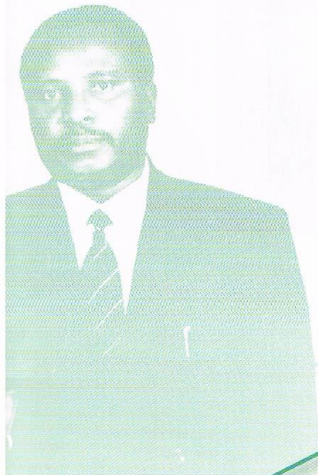


BOARD OF DIRECTORS



GRAY MGONJA
Director (Non-Executive)

DAVID THORN
Director (Executive)



JORGE DA MOTTA
Chairman and CEO



LORENZO PILLININI
Director (Non-Executive)



MARIA KEJO
Director (Non Executive)



PAUL MAKANZA
Director (Executive)



VINTAN MBIRO
Secretary to the Board

**HUDUMA YA KUPITISHA GAWIO KWENYE AKAUNTI YA BENKI
TANZANIA CIGARETTE COMPANY LIMITED.**

Tunapenda kukuarifu kwamba, wakala wetu CAD Securities Limited (CAD) wanatoa huduma kwa wanachama ya kupitisha gawio moja kwa moja kwenye akaunti za benki. Huduma hii ni ya haraka kwa ajili ya malipo. Hautaenda kwa wakala wa malipo kwa ajili ya kupokea gawio, utakuwa ukiingiziwa gawio lako moja kwa moja kwenye akaunti yako ya benki. Hata hivyo, CAD watakuwa wakikutumia hundi yako kama kawaida, ikiwa inaonyesha kiasi cha gawio ulichopata, kodi uliyokatwa pamoja na gawio unalopaswa kulipwa baada ya kukatwa kodi.

Kama utapenda kutumia huduma hiyo, tunakushauri ujaze fomu ya idhinisho la gawio iliyopo chini ya maelezo haya na kuirudisha CAD Securities Limited wiki tatu kabla ya gawio kutoka ili gawio lako linalofuata liweze kupitishwa katika akaunti yako ya benki.

FOMU YA IDHINISHO LA GAWIO.

Tafadhali jaza kwa HERUFI KUBWA kwa kutumia wino mweusi na rudisha fomu hii CAD Securities Ltd. S.L.P 11488 Dar es salaam.

A	Jina la Kampuni ambayo hisa zake zinamilikiwa	Tanzania Cigarette Company Limited (TCC)	
B	Namba ya CDS	..... .....	Kama ilivyo onyeshwa kwenye stakabadhi halisi ya hisa
C	Jina kamili na Anuani ya mwanahisa mtajwa wa kwanza	Jina Anuani	Kama ilivyo onyeshwa kwenye stakabadhi ya CDS
	Namba ya simu n.k	.....	*Kama IPO
	* Barua pepe	.....	*Kama IPO
D	Sahii Idhinsho hili lazima lisainiwe na wanahisa waliosajiliwa watendaji na watawala WOTE	Sahii (1)	Sahii (2)
		Sahii (3)	Sahii (4)
Tafadhali lipa moja kwa moja kwenye Account ya Banki iliyoko hapa chini gawio lolote la faida kutoka kwenye kampuni iliyotajwa hapo juu			
E	Jina la Benki		
F	Anuani ya Benki		Anuani ya Tawi ilipo Akaunti yako

KUMBUKA 1. Malipo kwa mujibu wa maagizo haya yanaiondolea CAD Securities Ltd na Kampuni ya TCC uwajibikaji zaidi
2. CAD Securities Ltd na Kampuni ya TCC (Tanzania Cigarette Company Ltd) wanayo haki ya kuhitaji sahii nyingine kwa udhibitisho

G	Namba ya Tawi	
	Tawi mahali lilipo	
	Namba ya Akaunti	
	Muhuri wa Benki	Mhuri wa benki ni kuthibitisha sahii iliyoko/ zilizoko kwenye sanduku D hapo juu kuwa ni ya mwanahisa au aliyeruhusiwa kusaini kwa niaba ya Kampuni/Taasisi

**ELECTRONIC FUND TRANSFER SERVICE.
TANZANIA CIGARETTE COMPANY LIMITED.**

This is to inform you that, our agent CAD Securities Limited (CAD) has a service where dividends may be paid directly into your bank account. This service is a fast and efficient way to receive your payments. You will not have to go to the paying agent and cash your warrant, the dividend is simply paid into your bank account and CAD will send to you a Dividend Tax voucher, which will indicate the Gross payment Withholding tax payment and the Net payment into your chosen account.

If you would like to utilize this service, please complete the form below and return to CAD Securities Limited.

Please note that CAD require this information **3 weeks** before payment date of a dividend to ensure payment can be processed.

DIVIDEND MANDATE FORM

Please complete in **BLOCK CAPITALS** using black ink and return to CAD Securities Ltd.

P.O. Box 11488, Dar es Salaam.

A	Name of Company in which shares are held	Tanzania Cigarette Company Limited (TCC)	
B	CDS A/C NO	..... .....	As indicated on your original depository receipt
C	Full Name and Address Of the First named member	Name	As indicated on your CDS receipt
		Address.....	
	Contact Number	.....	*If any
	* Email Address	.....	*If any
D	Signatures This mandate must be signed by ALL registered members, executors and administrators	Signature (1)	Signature (2)
		Signature (3)	Signature (4)

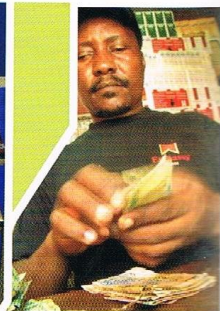
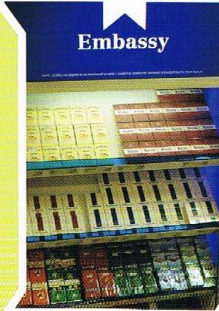
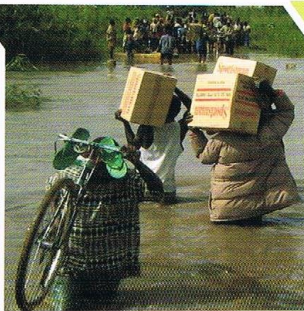
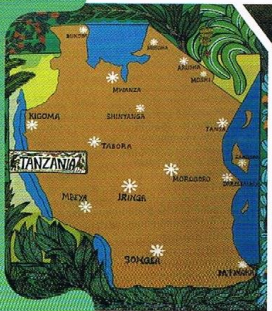
Please pay all future Dividend payments for the above company directly to the following Bank Account

E	Name of Bank		
F	Address of Bank		The Address of the branch that your account is held

NOTES: Payments in accordance with these instructions discharges CAD Securities Ltd. and Tanzania Cigarette Company Ltd from any liability. CAD securities Ltd and Tanzania Cigarette Company Ltd reserves the right to require additional confirmation of the signature.

G	Branch Sort Code		
	Branch Location		
	Account Number		
	Stamp of Bank/Building Society		The bank stamp is required to confirm the signature(s) in box D is that of the shareholder(s) or an authorised signatory

BUSINESS REVIEW



Sales and marketing

Domestic sales volume was up 1% on the back of a strong double digit growth in 2005. This growth was achieved despite a number of adverse external factors in the first half of the year and a significant price increase in July 2006. The price increase, the first since 2003, was implemented to recover currency depreciation, excise tax increases and general inflationary cost pressures.

The company continued to invest heavily in regional export markets, in particular Democratic Republic of Congo and Mozambique. Export sales now account for 12% of the company's total volume base.

Sportsman and Sweet Menthol brands remained the largest selling brands in the domestic market. These two brands accounted for over 80% of domestic sales volume. Safari, a value brand first introduced in 2005 in Dar es Salaam, was launched country wide in 2006.

The Company continued to invest behind the equity of its core brands and selling and distribution infrastructure.

New thematic campaigns for Embassy, Sportsman, Sweet Menthol and Safari brands were launched in various parts of the country and a number of national and regional promotional activities and events were undertaken.



New sales and merchandising vehicles were added up-country. A bicycle program, involving over 40 independent salesmen, was introduced to enhance distribution activities in retail urban environments. Retail sales capability was further enhanced through the creation of a retail associate team in Dar es Salaam focusing on key retail outlets. Debit card transactions were introduced in certain sales routes in Dar es Salaam to reduce risks associated with cash transactions.

The Company also continued to improve working conditions in its up-country branches. 15 out of the 16 branch offices have been renovated and the remaining branch office will be renovated in 2007.

Mauzo na masoko

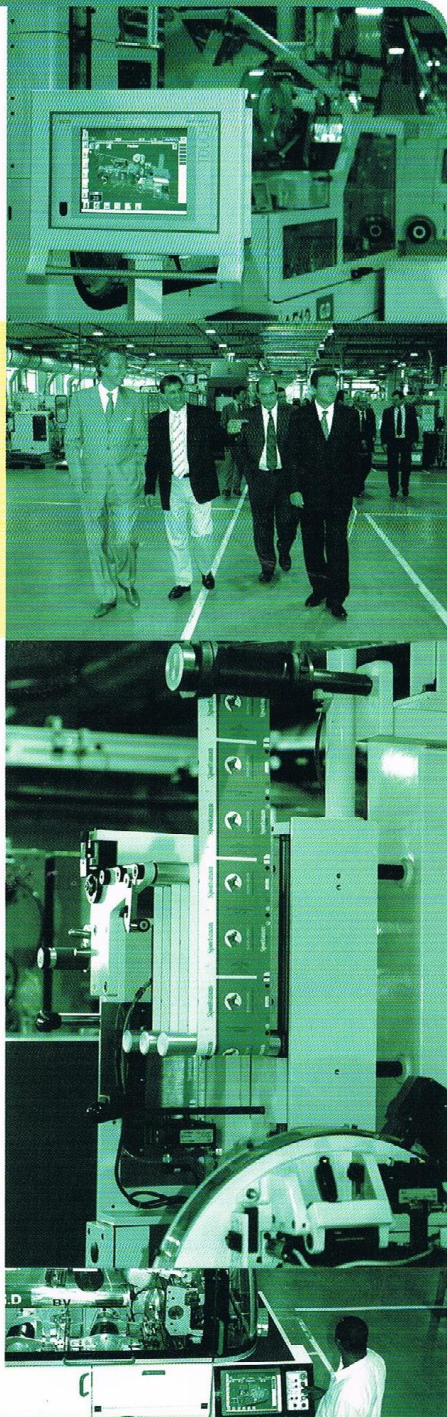
Pomoja na changamoto nyingi katika mazingira ya kibiashara, hasa katika kipindi cha kwanza cha mwaka, mauzo ya ndani yaliongezeka kwa asilimia moja katika mwaka 2006. Kwa mara ya kwanza katika kipindi cha miaka mitatu, Kampuni ilipandisha bei ya bidhaa zake Mwezi Juni 2006, ili kufidia kushuka kwa thamani ya Shilingi, ongezeko la ushuru na shinikizo la jumla ya gharama za mfumuko wa bei.

Kampuni iliendelea kuwekeza katika masoko ya nje ya kanda, hasa katika Jamhuri ya Kidemokrasia ya Kongo na Msumbiji. Mauzo ya nje sasa yamefikia asilimia 12 ya mauzo yote ya Kampuni.

Chapa za sigara za Sportsman na Sweet Menthol zimebaki kuwa chapa zinazouzwa zaidi katika soko la ndani. Chapa hizi zimechukua asilimia 80 ya mauzo ya ndani. Chapa mpya, aina ya Safari, ilizinduliwa rasmi nchi nzima mwaka 2006.

Kampuni ilizindua kampeni mpya ya bidhaa zake na kuimarisha miundo mbinu ya usambazaji wa bidhaa zake. Magari mapya ya mauzo yaliongezwa. Programu ya baiskeli, inayowashirikisha zaidi ya wauzaji wa kujitegemea 40, ilianzishwa ili kuongeza shughuli za usambazaji katika mazingira ya kuuza kwa rejareja mjini. Uwezo wa mauzo ya rejareja uliongezwa zaidi kwa njia ya kuanzisha timu za washiriki wa rejareja Dar es salaam kwa kulenga maeneo muhimu ya rejareja. Mtindo wa kulipa kwa kadi za benki ulianzishwa katika baadhi ya njia za mauzo Dar es Salaam ili kupunguza hatari inayohusiana na kulipa kwa fedha taslimu.

Aidha, Kampuni imeendelea kuboresha hali ya kazi katika matawi yake mikoani kwa kukamilisha ukarabati wa ofisi 15 kati ya 16 na ufungaji wa majenereta katika ofisi 6 ili kumudu tatizo la umeme.



Manufacturing and operations

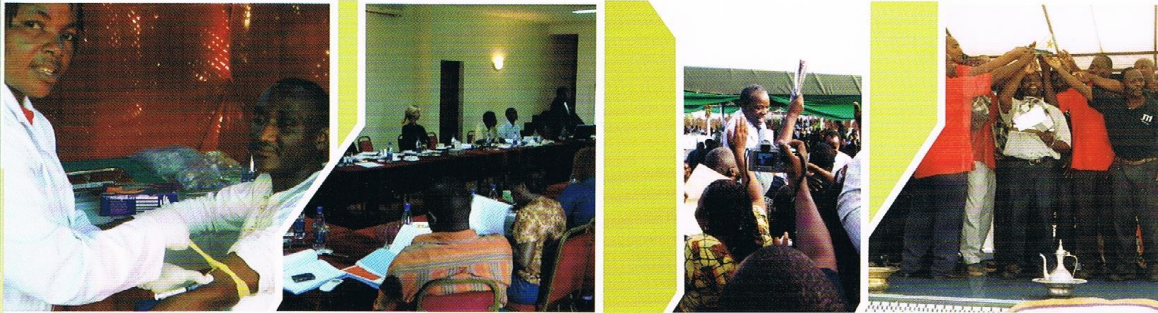
2005 marked the start of the factory rejuvenation program, a TZS 36 billion investment expected to be completed in 2009. Once completed, it will operate as a world class manufacturing facility, with enhanced production capacity, operational efficiency and product quality.

In 2006, the Company invested TZS 19.4 billion in plant and equipment as part of the factory rejuvenation program. A new, TZS 8 billion, state of the art production line was commissioned in June 2006 and a second line will be installed in 2007. In addition, a new filter production line and 4 new tobacco cutters were installed during the year. 21 manufacturing employees were sent to various destinations in Europe for training on the new technology. These investments have further improved product quality on some of our key brands, reduced overtime and allowed the Company to begin exporting processed tobacco to South Africa.

Uzalishaji na uendeshaji

Programu ya kuboresha mitambo ya uzalishaji kiwandani, iliyoanza mwaka 2005, inaendelea vizuri. Programu hii itakamilika mwaka 2009 na itagharimu Shilingi bilioni 36. Madhumuni ya programu hii ni kuboresha uzalishaji, ufanisi na ubora wa bidhaa za Kampuni. Katika mwaka wa 2006, Kampuni iliwekeza Shilingi bilioni 19.4 katika mitambo na vifaa, kama sehemu ya programu hii.

Mtambo mpya wa uzalishaji sigara, wenye teknolojia ya kisasa, ulianza kutumika Juni 2006. Pia, mtambo mpya wa kuzalisha vichungi vya sigara na mitambo minne ya kukata tumbaku nayo ilianza kutumika mwaka 2006. Wafanyakazi 21 katika idara ya uzalishaji walipata mafunzo ya kuwawezesha kuendesha mitambo hii mipya na ya kisasa. Mafunzo haya yalifanyika katika nchi mbalimbali za Ulaya. Mitambo hii tayari imeanza kuboresha ubora wa bidhaa zetu, kupunguza muda wa ziada wa kufanya kazi na kuwezesha Kampuni kuanza kuuza tumbaku iliyosindikwa Afrika ya Kusini.



Our people

The Company places great emphasis on enhancing organizational capacity and the quality of its human capital. As a Company that aspires to be "The Employer of Choice in Tanzania", a number of initiatives were implemented during the year.

A major salary adjustment, over and above annual inflation adjustments, was made in July 2006 for the majority of employees. This adjustment is in line with the Company's philosophy to provide competitive compensation and benefits, based on domestic benchmark data with a view to attract and retain the best employees.

The Company invested 6% of total payroll on employees' training and development across all levels and throughout the country. This level of investment is commendable by international standards and reflects the Company's commitment to enhancing the quality of its human capital. 38 employees attended various training programs outside Tanzania. On average, a total of 23 hours per employee was invested in training.

A number of incentive schemes were also implemented. These include a performance driven bonus scheme, a sales force commission scheme to drive sales and a recognition program for employees who demonstrated the Company's core values of Innovation, Synergy, Quality and Commitment (NYOTA). The NYOTA program received recognition from the Association of Tanzania Employers (ATE) as best practice in the field.

The Company maintained its proud record of harmonious industrial relations. A new Voluntary Agreement was successfully concluded and signed in 2006.

A number of activities were also undertaken to raise HIV/AIDS awareness amongst employees and their families. In this regard, a very successful Voluntary Counseling and Testing (VCT) event was held at all Company locations in August 2006 with the support of various NGOs. Medical cover on HIV/AIDS was also extended to cover employees' direct dependents for life.

The Company is a founder and an active member of the Aids Business Coalition of Tanzania (ABCT) and has provided ABCT with office accommodation.

Free medical treatment is available to employees and their direct dependents country wide under the management and administration of MEDEX (T). The Company has a well equipped dispensary on site, manned by qualified medical staff. Furthermore, employees are provided with free insecticide treated mosquito nets.

The TCC internship program, a yearly program, attracted much interest from students in higher learning institutions in Tanzania. This program aims to expose young Tanzanians to real life business challenges through specific three months assignments. A number of the interns have become permanent Company employees.



Watu wetu

Kampuni inatoa kipaumbele katika kujenga ujuzi wa wafanyakazi wake. Kampuni ina lengo la kuwa "Mwajiri Bora." Mikakati mbalimbali imetekelezwa ili kufikia azma hii.

Marekebisho makubwa ya mishahara, ukiacha marekebisho ya kila mwaka ya kukabili mfumuko wa bei, yalifanyika mwezi Julai mwaka 2006. Marekebisho haya, yanaenda sambamba na falsafa ya Kampuni ya kutoa viwango vya mishahara na marupurupu yanayovutia kwa wafanyakazi wake. Ili kulingana au kuzidi viwango vinavyotolewa na waajiri wengine, na hivyo kuwafanya wafanyakazi walio bora kuendelea kufanya kazi na Kampuni.

Kampuni imewekeza asimilia 6 ya jumla ya malipo ya mishahara kwa ajili ya mafunzo na maendeleo ya wafanyakazi wa ngazi zote. Kiwango hiki cha uwekezaji ni sambamba na viwango vya kimataifa. Uwekezaji wa kiwango hiki ni uthibitisho wa namna Kampuni ilivyo dhamiria kuongeza ujuzi na utaalam wa wafanyakazi wake. Wafanyakazi 38 walihudhuria programu mbalimbali za mafunzo nje ya Tanzania. Kwa wastani, kila mfanyakazi alipata masaa 23 ya mafunzo mwaka 2006.

Mipango mbalimbali ya kimotisha pia imetekelezwa. Mipango hii ni pamoja na mpango wa bonasi kutokana na utendaji, mpango wa kutoa kamisheni kwa mauzo yanayofanyika ili kuongeza mauzo na programu ya kutambua wafanyakazi wanaotimiza kikamilifu maadili ya Kampuni (NYOTA) ambayo ni Ubunifu, Ushirikiano, Ubora na Azma. Programu ya NYOTA imetambuliwa na Chama cha Waajiri Nchini Tanzania (ATE) kama mfano wa kuigwa mahali pa kazi.

Kampuni inaendelea kudumisha uhusiano mwema mahali pa kazi. Mkataba mpya wa hiari ulikamilika na kusainiwa mwaka 2006.

Aidha, shughuli mbalimbali zimefanywa kutoa elimu ya VVU/UKIMWI kwa wafanyakazi na familia zao. Mwezi Agosti mwaka 2006, kulitolewa huduma ya ushauri na upimaji wa hiari wa Ukimwi (VCT) ambao ulifanikiwa sana katika maeneo yote ya Kampuni kwa msaada wa Asasi zisizo za Serikali (NGOs). Huduma ya matibabu ya VVU/UKIMWI zimepanuliwa wigo wake na kujumuisha wategemezi wa mfanyakazi maisha yao yote. TCC ni mwanzilishi na mwanachama mshiriki wa juhudi za pamoja za makampuni kupambana na ukimwi na Kampuni imeupatia umoja huo ofisi ya kuendeshea shughuli zake.

Huduma ya bure ya matibabu inatolewa kwa wafanyakazi na wategemezi wao nchini kote chini ya usimamizi na uendeshaji wa MEDEX (T). Kampuni ina zahanati nzuri kiwandani, yenye vifaa na zana za kisasa. Katika kupambana na ugonjwa wa malaria, wafanyakazi wote hupewa vyandarua vyenye dawa ya mbu mara kwa mara.

Kila mwaka, Kampuni hutoa nafasi za mafunzo kazini kwa wanafunzi wa vyuo vya elimu ya juu hapa nchini. Programu hii inalenga kuwapa nafasi vijana wa Tanzania kukabiliana na hali halisi ya changamoto za kibiashara kwa kupewa kazi mahususi kwa kipindi cha miezi mitatu. Wanafunzi wengi waliofanya mafunzo haya hivi sasa ni wafanyakazi wa kudumu wa Kampuni.



Corporate social responsibility

Corporate Social Responsibility is about the way a business is run and the way it assumes its responsibility towards its core stakeholders. As a corporate citizen, the Company recognizes, and is committed to fulfilling its social responsibility.

Corporate governance

Tanzania Cigarette Company is a subsidiary of JT International B.V. (JTI). It is publicly listed on the Dar es Salaam Stock Exchange. The Company is committed to the principles and practices of good corporate governance, and strictly follows its parent company's global standards, policies and procedures and operating guidelines. These include, amongst others, responsible marketing practices, equal opportunity employer, a code of conduct, environmental health and safety and corporate philanthropy guidelines.

TCC's significant contribution to tax revenues and exemplary compliance over the years was recognized by the Tanzania Revenue Authority at its 10 year anniversary and award ceremony in October 2006.

Responsible marketing

Cigarettes are a controversial but legal product. The Company is committed to responsible marketing of its products. The Company believes smoking is an adult choice; minors should not smoke; no one should smoke without the knowledge of the risks of smoking; smokers should show courtesy to non-smokers and to society at all times.

Equal opportunity employer

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

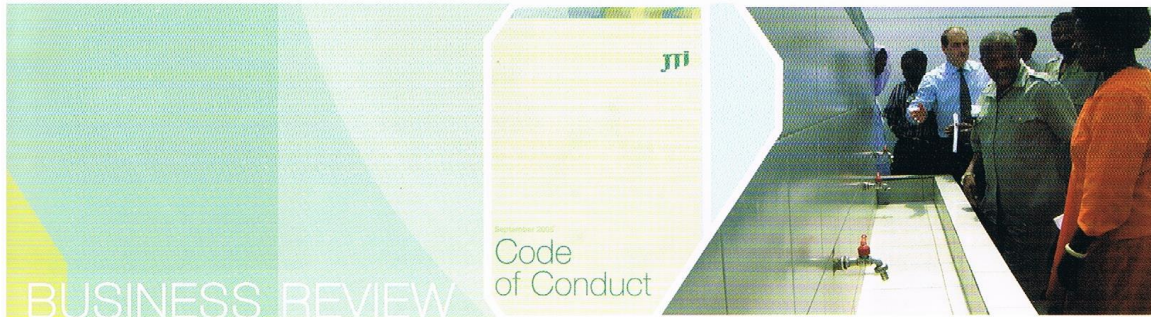
Code of conduct

TCC's parent company, JTI, has in place a Code of Conduct. The Code of Conduct describes the legal and ethical obligations that must be adhered to in the conduct of business. It also describes the practices and procedures that must be followed in meeting those obligations. TCC strictly adheres to this Code of Conduct.

During 2006, every employee underwent comprehensive training on the Company's Code of Conduct. This training has now been included in the Company's induction program for new employees.

Environmental protection health and safety (EHS)

The Company has in place an environmental, health and safety program (EHS). This program aims to minimize waste, cut emissions, conserve energy and avoid accidents at the work place. The Company's environmental program was ISO 14001 certified in 2004. In addition, the Company's occupational health and safety program was OHSAS 18001 certified in 2005. This is in line with the direction set by the parent company, JTI, and is a requirement for all factories operating under the Japan Tobacco Group.



Corporate philanthropy

As a company drawing on local communities for employees and also for customers, TCC believes in putting something back into those communities.

The Company's Corporate Philanthropy focus is on environmental protection and promotion of local arts and culture.

TCC has a vibrant arts and culture program, the 'Vipaji' Program. This program aims to promote local arts and culture by tapping into the large pool of highly talented local artists and providing them with a forum and resources to enhance and exhibit their artistic talents.

In addition, the Company has committed a substantial amount of money on a reforestation and rural livelihood program. This program includes planting up to 8 million trees, education on sustainable use of natural woodlands, promotion of energy efficient curing barns and kitchen stoves, increased farm productivity through low-cost irrigation and improving health standards through low-cost methods for safe water. Initial program implementation began in 2006.

Wajibu wa kijamii wa Kampuni

Wajibu wa Kijamii wa Kampuni unahusu namna biashara inavyoendeshwa na namna inavyochukua wajibu wake kwa kuwazingatia wadau wake wakuu. Kama Kampuni iliyopo nchini, inatambua na imedhamiria kutekeleza wajibu wa kijamii.

Utawala wa Kampuni

Kampuni ya Sigara Tanzania (TCC) ni Kampuni tanzu ya JT International B.V (JTI). Imeorodheshwa katika Soko la Hisa la Dar es Salaam (Dar es Salaam Stock Exchange). Kampuni hufuata kanuni na mwenendo wa utawala bora, viwango, sera na taratibu na miongozo ya utendaji ya Kampuni mama. Hivi ni pamoja na utafutaji soko kwa busara, mwajiri anayetoa fursa sawa, kanuni za maadili, usafi wa mazingira na usalama na misaada kwa jamii.

Mamlaka ya Mapato Tanzania (TRA) inatambua mchango mkubwa wa kodi unaotolewa na Kampuni na ili kudhihirisha utambuzi huu, TRA ilitoa zawadi maalum ya ngao na kikombe kwa Kampuni. Makabidhiano haya yalifanyika mwezi Oktoba mwaka 2006 wakati wa sherehe ya kuadhimisha miaka 10 tangu TRA ianzishwe.

Uuzaji kwa mujibu wa sheria

Kampuni huuza bidhaa zake kwa kuzingatia sheria zilizopo. Kampuni inaamini kuwa uvutaji sigara ni chaguo la mtu mzima, watoto hawaruhusiwi kuvuta, mtu asivute bila ya kujua madhara ya kuvuta, wavutaji hawana budi kuwajali wasiovuta na jamii kwa jumla.



Mwajiri anayetoa fursa sawa

Hakuna ubaguzi wa ajira katika Kampuni. Mtu huajiriwa kutokana na sifa na uwezo wake.

Kanuni na maadili

Kampuni mama ya TCC, JTI, ina maadili yake. Maadili ya Kampuni yanafanua wajibu wa kisheria na kijamii ambao ni lazima ufuatwe katika uendeshaji wa shughuli za Kampuni. Maadili ya Kampuni yanaelezea kanuni na taratibu zinazotakiwa kufuatwa katika kutimiza majukumu hayo. Kampuni inatekeleza kwa makini maadili haya ya Kampuni mama.

Katika kipindi cha mwaka 2006, takriban kila mfanyakazi alihudhuria mafunzo kuhusu maadili haya ya Kampuni. Mafunzo haya kwa sasa yameingizwa katika programu ya Kampuni ya mafunzo elekezi kwa wafanyakazi wapya.

Usafi wa mazingira na usalama (EHS)

Kampuni ina programu ya usafi na usalama wa mazingira (EHS). Lengo la programu hii ni kupunguza uchafu, kupunguza moshi, kuhifadhi nishati na kuepuka ajali mahali pa kazi. Programu ya mazingira ya Kampuni ni ya kiwango cha ISO 14001 kilichothibitishwa mwaka 2004. Aidha, Programu ya afya ya wafanyakazi na usalama kazini ni ya kiwango cha kimataifa cha OHSAS 18001 kilichothibitishwa mwaka 2005. Hii ni kwa mujibu wa maelekezo yaliyotolewa na Kampuni mama yaani JTI, na ni sharti kwa viwanda vyote vya tumbaku vinavyo milikiwa na kampuni ya Japan Tobacco Group.

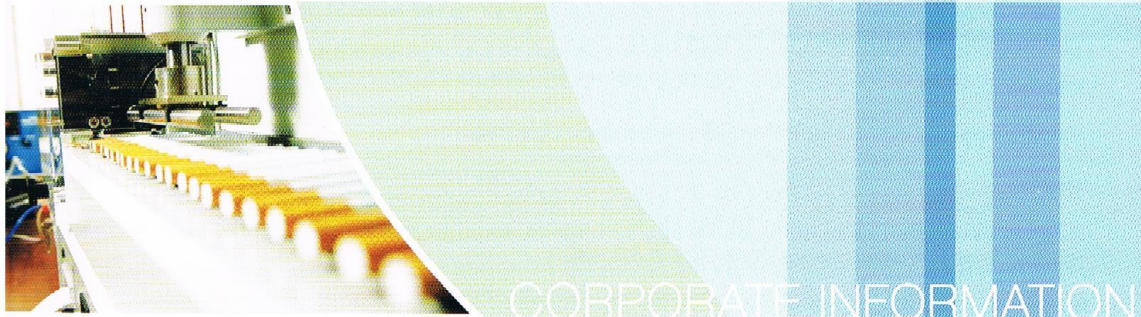
Huduma za kijamii

Kwa kuwa Kampuni inategemea wafanyakazi na wateja wake kutoka katika jamii, Kampuni inaamini kwamba utoaji huduma kwa jamii ni jambo la msingi. Mtazamo wa Kampuni ni katika masuala yanayohusiana na mazingira na ukuzaji wa vipaji na utamaduni hapa nchini.

Aidha, Kampuni ina programu madhubuti ya sanaa na utamaduni ijulikanayo kama "Programu ya Vipaji". Programu hii ina lengo la kukuza sanaa na utamaduni wa Mtanzania.

Kampuni, pamoja na Kampuni yake mama ya JTI, zimeandaa mipango kabambe ya miaka minne ya upandaji miti na kuboresha maisha ya jamii za wakulima wa tumbaku. Utekelezaji wa kwanza wa programu hiyo ulianza mwaka 2006. Programu hii inahusisha upandaji wa miti hadi milioni 8, elimu kuhusu matumizi endelevu ya misitu ya asili, uhimizaji wa matumizi ya majiko yanayotumia nishati mbadala, kuongeza uzalishaji kupitia umwagiliaji wa gharama nafuu na kuboresha viwango vya afya kwa matumizi ya maji salama kwa gharama nafuu.

CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2006



CORPORATE INFORMATION

DIRECTORS AND ADVISORS:

Directors

Mr. Jorge da Motta (Chairman and CEO)
Mr. Gray Mgonja*
Mr. Paul Makanza
Ms. Maria Kejo*
Mr. Lorenzo Pillinini*
Mr. David Thorn

* Non-executive Directors

Principal bankers

Standard Chartered Bank Tanzania Limited
CRDB Bank Limited
National Bank of Commerce Limited
National Micro-Finance Bank Limited
Citibank Tanzania Limited
Barclays Bank Tanzania Limited

Secretary & Registered Office

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

Auditors

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

SHAREHOLDING STRUCTURE:

Shareholder	%Holding**
JT International Holding B. V.	75.0
Public Service Pension Fund	3.9
Parastatal Pension Fund	3.0
National Social Security Fund	2.9
United Republic of Tanzania	2.5
Unit Trust of Tanzania	2.0
Others	10.7
Total	100.0

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

**Based on share register as at 15 December 2006

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and the audited financial statements for the year ended 31 December 2006 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 24. Group net profit for the year of TZS 15,641 million has been transferred to retained earnings (2005 – TZS 17,051 million).

Dividends

During the year, the directors declared an interim gross dividend of TZS 5.0 billion or TZS 50.0 per share, which was paid in October 2006 (2005: TZS 7.8 billion or TZS 77.8 per share). After the year end, the directors have proposed a final gross dividend of TZS 5.0 billion or TZS 50.0 per share (2005: TZS 7.8 billion or TZS 77.89 per share). This final dividend is subject to adoption by shareholders at the Annual General Meeting and, once adopted, the total gross dividend relating to current year will equal to TZS 10.0 billion or TZS 100.00 per share (2005: TZS 15.6 billion or TZS 155.7 per share).

The total of the final ordinary dividend net of 5% withholding tax will be TZS 4.75 billion or TZS 47.5 per share (2005: TZS 7.4 billion or TZS 74.0 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:

Mr. Jorge da Motta	Chairman and Chief Executive Officer
Mr. Gray Mgonja	Director (Non-Executive)
Ms. Maria Kejo	Director (Non-Executive)
Mr. Paul Makanza	Director (Executive)
Mr. David Thorn	Director (Executive)
Mr. Lorenzo Pillinini	Director (Non-Executive)

In accordance with article 72 (a) of the amended Articles of Association, David Thorn and Maria Kejo retire from the Board by rotation at the Annual General Meeting and 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 Trust.

Solvency

The state of affairs of the Group and company as at 31 December 2006 is set out on page 25 of these financial statements. The directors consider the company to be solvent, within the meaning ascribed by the Companies Act 2002.

Related party transactions

Details of transactions and balances with related parties are included in note 19 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. Details of the agreement have been summarized in note 19 of the financial statements.

Auditors

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

BY ORDER OF THE BOARD

Jorge da Motta
Director



Gray Mgonja
Director

9 March 2007
Date



Statement of directors' responsibilities

The Companies Act 2002 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 group and the company as at the end of the financial year and of the operating results of the group and the company for that year. It also requires the directors to ensure that the group and the company keep proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the group and company. They are also responsible for safeguarding the assets of the company and group.

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and 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 group and the company will not remain a going concern for at least the next twelve months from the date of this statement.



Jorge da Motta
Director



Gray Mgonja
Director

9 March 2007
Date

Independent auditors' report to the members of TANZANIA CIGARETTE COMPANY LIMITED.

We have audited the financial statements of Tanzania Cigarette Company Limited set out on pages 24 to 42 which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated and company income statements, statements of changes in equity and cash flow statements for the year then ended, together with the summary of significant accounting policies and other explanatory notes, 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

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Tanzanian Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

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's financial statements are in agreement there with;
- (b) the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2006 and of the profit and cash flows of the company and group for the year then ended in accordance with International Financial Reporting Standards and comply with the Tanzanian Companies Act 2002.

Deloitte & Touche

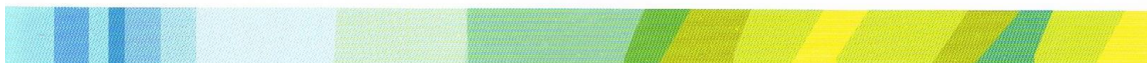
Certified Public Accountants (T)



E. A Harunani

Dar es Salaam

9 March 2007



INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	GROUP		COMPANY	
		2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Gross turnover		152,611	135,643	152,611	135,643
Excise duty and VAT		<u>(65,146)</u>	<u>(59,305)</u>	<u>(65,146)</u>	<u>(59,305)</u>
Net turnover		87,465	76,338	87,465	76,338
Cost of sales	3	<u>(35,579)</u>	<u>(29,417)</u>	<u>(35,579)</u>	<u>(29,417)</u>
Gross profit		51,886	46,921	51,886	46,921
Selling and distribution costs		(13,145)	(10,707)	(13,145)	(10,707)
General and administrative costs		(13,630)	(12,916)	(13,627)	(12,910)
Other income/(expenses)		<u>(815)</u>	<u>93</u>	<u>(815)</u>	<u>93</u>
Operating profit	4	24,296	23,391	24,299	23,397
Net finance (costs)/income	5	<u>(1,936)</u>	<u>376</u>	<u>(1,936)</u>	<u>376</u>
Profit before taxation		22,360	23,767	22,363	23,773
Taxation charge	6	<u>(6,719)</u>	<u>(6,716)</u>	<u>(6,719)</u>	<u>(6,716)</u>
Net profit for the year		<u>15,641</u>	<u>17,051</u>	<u>15,644</u>	<u>17,057</u>
		TZS	TZS		
Earnings per share					
Basic and diluted	7	<u>156.41</u>	<u>170.51</u>		
Dividend per share	8	<u>100.00</u>	<u>155.78</u>		

BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	GROUP		COMPANY	
		2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
ASSETS					
Non current assets					
Property, plant and equipment	9	38,921	23,084	38,921	23,084
Intangible assets	10	2,381	2,646	2,381	2,646
Investment in subsidiary	11(a)	-	-	-	-
Loan receivable	11(b)	150	150	150	150
		<u>41,452</u>	<u>25,880</u>	<u>41,452</u>	<u>25,880</u>
Current assets					
Inventories	12	23,239	17,520	23,239	17,520
Trade and other receivables	13	4,370	8,205	4,390	8,225
Taxation recoverable	6.4	914	1,834	914	1,834
Bank balances and cash		3,473	7,384	3,467	7,379
		<u>31,996</u>	<u>34,943</u>	<u>32,010</u>	<u>34,958</u>
Total assets		<u>73,448</u>	<u>60,823</u>	<u>73,462</u>	<u>60,838</u>
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	2,000	2,000	2,000	2,000
Retained earnings		44,839	41,987	45,392	42,537
Shareholders' equity		<u>46,839</u>	<u>43,987</u>	<u>47,392</u>	<u>44,537</u>
Non current liabilities					
Deferred tax liability	15	2,709	1,453	2,709	1,453
Current liabilities					
Trade and other payables ¹⁶		17,524	15,383	16,985	14,848
Short term borrowings	17	6,376	-	6,376	-
		<u>23,900</u>	<u>15,383</u>	<u>23,361</u>	<u>14,848</u>
Total equity and liabilities		<u>73,448</u>	<u>60,823</u>	<u>73,462</u>	<u>60,838</u>

The financial statements on pages 24 to 42 were approved by the board of directors on 9 March 2007 and were signed on their behalf by:



Jorge da Motta
Director



Gray Mgonja
Director

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

	Share capital TZS M	Retained earnings TZS M	Proposed dividend TZS M	Total TZS M
GROUP				
At 1 January 2005	2,000	32,725	7,789	42,514
Net profit for the year	-	17,051	-	17,051
Final dividends paid for year 2004	-	-	(7,789)	(7,789)
Interim dividends paid for year 2005	-	(7,789)	-	(7,789)
At 31 December 2005	<u>2,000</u>	<u>41,987</u>	<u>-</u>	<u>43,987</u>
At 1 January 2006	2,000	41,987	-	43,987
Net profit for the year	-	15,641	-	15,641
Final dividends paid for year 2005	-	(7,789)	-	(7,789)
Interim dividends paid for year 2006	-	(5,000)	-	(5,000)
At 31 December 2006	<u>2,000</u>	<u>44,839</u>	<u>-</u>	<u>46,839</u>
COMPANY				
At 1 January 2005	2,000	33,269	7,789	43,058
Net profit for the year	-	17,057	-	17,057
Final dividends paid for year 2004	-	-	(7,789)	(7,789)
Interim dividends paid for year 2005	-	(7,789)	-	(7,789)
At 31 December 2005	<u>2,000</u>	<u>42,537</u>	<u>-</u>	<u>44,537</u>
At 1 January 2006	2,000	42,537	-	44,537
Net profit for the year	-	15,644	-	15,644
Final dividends paid for year 2005	-	(7,789)	-	(7,789)
Interim dividends paid for year 2006	-	(5,000)	-	(5,000)
At 31 December 2006	<u>2,000</u>	<u>45,392</u>	<u>-</u>	<u>47,392</u>

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	GROUP		COMPANY	
		2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Operating activities					
Cash generated from operations	18.1	27,684	19,252	27,683	19,252
Interest received		83	452	83	452
Interest paid		(349)	(28)	(349)	(28)
Taxation paid	6.4	(4,543)	(6,902)	(4,543)	(6,902)
Net cash generated by operating activities		<u>22,875</u>	<u>12,774</u>	<u>22,874</u>	<u>12,774</u>
Investing activities					
Proceeds on disposal of property, plant and equipment		1,576	77	1,576	77
Proceeds from repayment of loans		-	150	-	150
Purchase of trade marks		-	(2,646)	-	(2,646)
Payments for property, plant and equipment		(21,923)	(4,933)	(21,923)	(4,933)
Net cash used in investing activities		<u>(20,347)</u>	<u>(7,352)</u>	<u>(20,347)</u>	<u>(7,352)</u>
Financing activities					
Short term borrowings		6,376	-	6,376	-
Dividends paid	18.2	(12,815)	(15,566)	(12,815)	(15,566)
Net cash used in financing activities		(6,439)	(15,566)	(6,439)	(15,566)
Net decrease in bank balances and cash		(3,911)	(10,144)	(3,912)	(10,144)
Bank and cash balances at beginning of year		<u>7,384</u>	<u>17,528</u>	<u>7,379</u>	<u>17,523</u>
Bank and cash balances at end of year		<u>3,473</u>	<u>7,384</u>	<u>3,467</u>	<u>7,379</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted, which remain unchanged, are set out below.

Adoption of new and revised International Financial Reporting Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 7 on Financial Instruments Disclosures
- IFRS 8 on Operating Segments
- IFRIC 8 on Scope of IFRS 2
- IFRIC 9 on Reassessment of Embedded Derivatives
- IFRIC 10 on Interim Financial Reporting and Impairment

The adoption of these Standards and Interpretations, when effective, will have no material impact on the financial statements of the company.

Basis of accounting

The financial statements have been prepared on the historical cost basis.

Basis of consolidation

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

All inter-company transactions, balances and unrealized gains on transactions between the two companies have been eliminated on consolidation.

Revenue recognition

Gross turnover, which comprises invoiced value of sales, net of returns and discounts, is recognised upon delivery of products and customer acceptance and is stated inclusive of excise duty and value added tax. Export sales are deemed to be accepted by customers upon dispatch of the goods.

Interest income is recognised when it accrues on a time proportion basis.

Foreign currency translation

Transactions in currencies other than Tanzania Shilling are recorded at the average monthly exchange rates prevailing on the dates of the transactions. 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.

Retirement benefits obligations

The Group makes statutory contributions to the National Social Security Fund (NSSF) and Parastatal Pensions Fund (PPF). The Group's obligations with respect to contributions are 10% and 15% of the employees' gross and basic 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.

1 ACCOUNTING POLICIES (CONTINUED)

Taxation

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

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

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

Deferred tax is calculated at currently enacted tax rates and the net movement charged or credited in the income statement.

Investment in subsidiary company

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership to the Group or the company as the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are amortised on the straight line basis over the term of the relevant lease.

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.

Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Dividends declared after the balance sheet date are not recognised as liabilities at the balance sheet date. Dividends receivable are recognised to income upon notification of declaration of the dividends of investee companies.

Impairment

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. 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, which are as follows:

Years	
Permanent buildings	50
Temporary buildings	3
Plant and machinery	5 – 20
Other equipment	3 – 10
Motor vehicles	4
Advertising equipment	<u>4</u>

The useful lives and residual values are reviewed every year.

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.

The gain or loss arising on the disposal or retirement of an asset is determined between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Trademarks

Trademarks are initially measured at purchase cost and are amortised on a straight line basis over their estimated useful lives. The estimate of useful life of the current trademark is 10 years.

Financial instruments

Financial instruments are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instruments.

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.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accruals basis.

Comparatives

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

(CONTINUED) NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

2 SEGMENTAL REPORTING

The major part of the business of the group comprises the manufacture and sale of cigarettes. Other income contributes less than 5% of total income. In respect of the sale of cigarettes, the company operates almost wholly within Tanzania with export sales comprising less than 10% of the cigarette sales. Segmental reporting is, therefore, not considered of any useful value and consequently, has not been disclosed in the financial statements.

3. COST OF SALES

	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Raw materials	24,210	21,537	24,210	21,537
Other costs	<u>11,239</u>	<u>7,880</u>	<u>11,239</u>	<u>7,880</u>
	<u>35,579</u>	<u>29,417</u>	<u>35,579</u>	<u>29,417</u>

4. OPERATING PROFIT

Operating profit has been arrived at after charging/(crediting):

Staff costs	10,644	7,925	10,644	7,925
Depreciation and amortization	5,075	3,782	5,075	3,782
Technical service fees	3,122	2,410	3,122	2,410
Auditor's remuneration:				
Audit fees	110	62	108	60
Other services	-	-	-	-
Profit on disposal of property, plant and equipment	<u>(300)</u>	<u>(73)</u>	<u>(300)</u>	<u>(73)</u>

Included within staff costs are:

NSSF and PPF contributions	<u>683</u>	<u>492</u>	<u>683</u>	<u>492</u>
	2006	2005	2006	2005
	Number	Number	Number	Number
Average number of persons employed during the year	<u>683</u>	<u>663</u>	<u>683</u>	<u>663</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006

5. NET FINANCE COSTS/(INCOME)	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Net foreign exchange losses	1,670	48	1,670	48
Interest expense	349	28	349	28
Interest income	(83)	(452)	(83)	(452)
	<u>1,936</u>	<u>(376)</u>	<u>1,936</u>	<u>(376)</u>
6. TAXATION				
6.1 Taxation charge				
Current taxation				
Current taxation at 30%	5,455	7,511	5,455	7,511
Prior years under/(over) provision	<u>8</u>	<u>(575)</u>	<u>8</u>	<u>(575)</u>
	5,463	6,936	5,463	6,936
Deferred taxation – (note 15)				
Current year charge/(credit)	<u>1,256</u>	<u>(220)</u>	<u>1,256</u>	<u>(220)</u>
	<u>6,719</u>	<u>6,716</u>	<u>6,719</u>	<u>6,716</u>
6.2 Reconciliation of tax based on accounting profit to tax charge				
Accounting profit before tax	<u>22,360</u>	<u>23,767</u>	<u>22,363</u>	<u>23,773</u>
Tax charge at 30%	6,708	7,130	6,709	7,132
Income subject to lower rate of tax or not subject to tax	(119)	(13)	(119)	(13)
Disallowable expenditure	121	172	121	172
Prior years under/(over) provision	8	(575)	8	(575)
Deferred tax asset movement not recognised (note 6.3)	<u>1</u>	<u>2</u>	<u>-</u>	<u>-</u>
Taxation charge	<u>6,719</u>	<u>6,716</u>	<u>6,719</u>	<u>6,716</u>

The tax rate used for the 2006 and 2005 reconciliations above is the statutory income tax rate of 30% payable by corporate entities in Tanzania.

6.3 Deferred tax asset relating to subsidiary

The subsidiary company, TCC (Kenya) Limited, is in a deferred tax asset position due to accumulated tax losses. However, the deferred tax asset has not been recognised in the financial statements of the subsidiary company because the company ceased operations and it is not likely that the accumulated tax losses will be utilized in future.

(CONTINUED) NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

6. TAXATION (CONTINUED)

	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
6.4 Taxation recoverable				
Balance at beginning of year	1,834	1,868	1,834	1,868
Income statement charge (note 6.1)	(5,463)	(6,936)	(5,463)	(6,936)
Payments during the year	<u>4,543</u>	<u>6,902</u>	<u>4,543</u>	<u>6,902</u>
Balance at end of year	<u>914</u>	<u>1,834</u>	<u>914</u>	<u>1,834</u>

7. EARNINGS PER SHARE

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

	GROUP	
	2006	2005
Profit attributable to ordinary shareholders (TZS M)	<u>15,641</u>	<u>17,051</u>
Weighted average number of ordinary shares in issue (million)	<u>100</u>	<u>100</u>
Earnings per share (TZS)	<u>156.41</u>	<u>170.51</u>

There were no potentially dilutive shares outstanding at 31 December 2006 or 31 December 2005.

8. DIVIDENDS

	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Interim dividend for the year	5,000	7,789	5,000	7,789
Final dividend for the year	<u>5,000</u>	<u>7,789</u>	<u>5,000</u>	<u>7,789</u>
Total	<u>10,000</u>	<u>15,578</u>	<u>10,000</u>	<u>15,578</u>
Weighted average number of ordinary shares in issue (million)	<u>100</u>	<u>100</u>		
Dividend per share (TZS)	<u>100.00</u>	<u>155.78</u>		

The dividend per share has been calculated based on the dividend declared in respect of each financial year. In October 2006, an interim dividend of TZS 5.0 billion was paid (2005: TZS 7.8 billion). After the year end, the directors have proposed a final gross dividend of TZS 5.0 billion (2005: TZS 7.8 billion). This final dividend is subject to adoption by shareholders at the Annual General Meeting and, once adopted, the total gross dividend relating to current year will equal to TZS 10.0 billion (2005: TZS 15.6 billion). For purposes of the cash flow statement, the amount of dividends paid during the year has been analysed on note 18.2 of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006

9. PROPERTY, PLANT AND EQUIPMENT - GROUP AND COMPANY

	Leasehold property TZS M	Plant and machinery TZS M	Other equipment TZS M	Motor vehicles TZS M	Capital work in progress TZS M	Total TZS M
COST						
At 1 January 2005	10,112	22,447	3,031	3,523	2,179	41,292
Additions	1,437	201	202	893	2,200	4,933
Transfers	525	1,547	78	-	(2,150)	-
Disposals	-	-	-	(305)	-	(305)
At 31 December 2005	<u>12,074</u>	<u>24,195</u>	<u>3,311</u>	<u>4,111</u>	<u>2,229</u>	<u>45,920</u>
At 1 January 2006	12,074	24,195	3,311	4,111	2,229	45,920
Additions	282	8,492	158	1,813	11,178	21,923
Transfers	72	5,047	169	32	(5,320)	-
Disposals	(1,312)	(2,178)	(8)	(137)	(59)	(3,694)
At 31 December 2006	<u>11,116</u>	<u>35,556</u>	<u>3,630</u>	<u>5,819</u>	<u>8,028</u>	<u>64,149</u>
DEPRECIATION						
At 1 January 2005	2,362	13,534	1,723	1,736	-	19,355
Charge for the year	298	2,271	505	708	-	3,782
Eliminated on disposal	-	-	-	(301)	-	(301)
At 31 December 2005	<u>2,660</u>	<u>15,805</u>	<u>2,228</u>	<u>2,143</u>	<u>-</u>	<u>22,836</u>
At 1 January 2006	2,660	15,805	2,228	2,143	-	22,836
Charge for the year	370	3,149	340	951	-	4,810
Eliminated on disposals	(281)	(2,026)	(6)	(105)	-	(2,418)
At 31 December 2006	<u>2,749</u>	<u>16,928</u>	<u>2,562</u>	<u>2,989</u>	<u>-</u>	<u>25,228</u>
NET BOOK VALUE						
At 31 December 2006	<u>8,367</u>	<u>18,628</u>	<u>1,068</u>	<u>2,830</u>	<u>8,028</u>	<u>38,921</u>
At 31 December 2005	<u>9,414</u>	<u>8,390</u>	<u>1,083</u>	<u>1,968</u>	<u>2,229</u>	<u>23,084</u>

The capital work in progress represents expenditure incurred in respect of ongoing factory upgrade and is not depreciated until the assets are available for use at which stage they are transferred to the appropriate category and depreciated.

The cost and carrying value of leasehold land is negligible and has, therefore, not been reclassified to prepaid lease in line with International Accounting Standard No.17, Leases.

(CONTINUED) NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

10. INTANGIBLE ASSETS	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Cost				
As at 1 January	2,646	-	2,646	-
Addition	-	2,646	-	2,646
At 31 December	<u>2,646</u>	<u>2,646</u>	<u>2,646</u>	<u>2,646</u>
Amortisation				
As at 1 January	-	-	-	-
Charge for the year	265	-	265	-
At 31 December	<u>265</u>	<u>-</u>	<u>265</u>	<u>-</u>
Net book value	<u>2,381</u>	<u>2,646</u>	<u>2,381</u>	<u>2,646</u>

The intangible assets relate to cigarette trademarks purchased during the previous financial year.

11. (a) INVESTMENT IN SUBSIDIARY	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
TCC (Kenya) Limited	-	-	534	534
Provision for impairment	-	-	(534)	(534)
Investment in subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Investment in subsidiary represents the shares held 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 hence a full impairment provision has been made for the investment in the financial statements.

(b) LOAN RECEIVABLE	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
TCC ESOS	<u>150</u>	<u>150</u>	<u>150</u>	<u>150</u>

Loan receivable

The loan receivable represents the balance on a loan of original amount of TZS 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. The company has not discounted the balance of the loan on the amortised cost basis because the effect would not be material.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006

12. INVENTORIES	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Raw materials	14,735	11,037	14,735	11,037
Work in progress	93	44	93	44
Consumable stores	1,764	1,530	1,764	1,530
Goods in transit	2,759	2,322	2,759	2,322
Finished goods	<u>4,225</u>	<u>2,773</u>	<u>4,225</u>	<u>2,773</u>
	23,576	17,706	23,576	17,706
Provision for obsolete inventories	<u>(337)</u>	<u>(186)</u>	<u>(337)</u>	<u>(186)</u>
	<u>23,239</u>	<u>17,520</u>	<u>23,239</u>	<u>17,520</u>
13. TRADE AND OTHER RECEIVABLES				
Trade receivables	2,687	2,249	2,687	2,249
Amounts due from related companies	15	9	35	29
Prepayments and other receivables	<u>2,191</u>	<u>6,390</u>	<u>2,191</u>	<u>6,390</u>
	4,893	8,648	4,913	8,668
Provision for doubtful receivables	<u>(523)</u>	<u>(443)</u>	<u>(523)</u>	<u>(443)</u>
	<u>4,370</u>	<u>8,205</u>	<u>4,390</u>	<u>8,225</u>

(CONTINUED) NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

14. SHARE CAPITAL – GROUP AND COMPANY	2006 TZS M	2005 TZS M
Authorised:		
125,000,000 Ordinary shares of TZS 20 each	<u>2,500</u>	<u>2,500</u>
Issued and fully paid:		
100,000,000 Ordinary shares of TZS 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:

	2006 Ordinary Shares Million	2005 Ordinary Shares Million	2006 Holding %	2005 Holding %
Resident shareholders:				
Public Service Pension Fund	3.9	3.5	3.9	3.5
Parastatal Pension Fund	3.0	3.0	3.0	3.0
National Social Security Fund	2.9	1.6	2.9	1.6
United Republic of Tanzania	2.5	2.5	2.5	2.5
Unit Trust of Tanzania	2.0	3.0	2.0	3.0
Others	<u>10.7</u>	<u>11.4</u>	<u>10.7</u>	<u>11.4</u>
	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>	<u>25.0</u>
Non-resident shareholders				
JT International Holding B. V.	<u>75.0</u>	<u>75.0</u>	<u>75.0</u>	<u>75.0</u>
Total ordinary shares in issue	<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 2006

15. DEFERRED TAXATION

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

	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
The net deferred tax liability is attributable to the following:				
Accelerated capital allowances	<u>2,709</u>	<u>1,453</u>	<u>2,709</u>	<u>1,453</u>
The movement on the deferred tax account is as follows:				
Balance at beginning of year	1,453	1,673	1,453	1,673
Income statement charge/(credit) - note 6.1	<u>1,256</u>	<u>(220)</u>	<u>1,256</u>	<u>(220)</u>
Balance at end of the year	<u>2,709</u>	<u>1,453</u>	<u>2,709</u>	<u>1,453</u>

16. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Trade payables	6,331	5,420	6,331	5,420
Amounts due to related companies	1,553	1,918	1,553	1,918
Excise tax and VAT payable	4,522	3,108	4,522	3,108
Dividends payable	89	115	89	115
Other liabilities and accruals	<u>5,029</u>	<u>4,822</u>	<u>4,490</u>	<u>4,287</u>
	<u>17,524</u>	<u>15,383</u>	<u>16,985</u>	<u>14,848</u>

17. SHORT TERM BORROWINGS

The short term borrowings relate to facilities acquired from with Standard Chartered Bank Limited and Citibank Tanzania Limited during the year.

The facility with Standard Chartered Bank Limited is secured by 100% guarantee from the parent company, Japan Tobacco Inc. for an amount of TZS 5 billion. The facility with Citibank Tanzania Limited is secured by 100% guarantee from the parent company, Japan Tobacco Inc. for an amount of USD 8.2 million.

The interest charges on the borrowing facilities are based on floating rates and calculated on daily overdrawn balances. The average effective interest rate during the year was 12.59% per annum.

(CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

18. NOTES TO THE CASH FLOW STATEMENT

18.1 Reconciliation of operating profit to cash generated from operations

	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Operating profit	24,296	23,391	24,299	23,397
Adjustments for:				
Depreciation and amortization	5,075	3,782	5,075	3,782
Profit on disposal of property, plant and equipment	(300)	(73)	(300)	(73)
Net foreign exchange losses	(1,670)	(48)	(1,670)	(48)
	27,401	27,052	27,404	27,058
Working capital changes:				
Increase in inventories	(5,719)	(5,275)	(5,719)	(5,275)
Decrease/(increase) in trade and other receivables	3,835	(3,316)	3,835	(3,324)
Increase in trade and other payables	2,167	791	2,163	793
Cash generated from operations	<u>27,684</u>	<u>19,252</u>	<u>27,683</u>	<u>19,252</u>

	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
18.2 Dividends paid				
Dividends payable at 1 January	115	103	115	103
Dividends payable in the year	12,789	15,578	12,789	15,578
Dividends payable at 31 December	(89)	(115)	(89)	(115)
Dividends paid in the year	<u>12,815</u>	<u>15,566</u>	<u>12,815</u>	<u>15,566</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006

19. RELATED PARTY TRANSACTIONS - GROUP AND COMPANY

Related companies

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

The Group transacts with the ultimate holding company and other companies related to it by virtue of common shareholding. All transactions with related parties are made at an arm's length in the normal course of business and 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 J. T. 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 year is TZS 3,122 million (year 2005: TZS 2,410 million).

Other transactions with related parties

	2006 TZS M	2005 TZS M
i. Purchase of goods and services		
J. T. International Companies	<u>16,992</u>	<u>9,797</u>

ii. Related party balances

Outstanding balances with related companies as at the year end are shown on the balance sheet are shown in notes 13 and 16 of these financial statements.

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

The guarantees received from the related company to secure the company's borrowings are disclosed in note 17.

iii. Compensation of key management personnel

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

	2006 TZS M	2005 TZS M
Short-term benefits	<u>1,398</u>	<u>1,216</u>
Directors' fees (Non - Executive)	<u>17</u>	<u>15</u>

(CONTINUED) NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

20. CAPITAL COMMITMENTS	GROUP		COMPANY	
	2006 TZS M	2005 TZS M	2006 TZS M	2005 TZS M
Authorised but not contracted for	53	51	53	51
Authorised and contracted for	<u>3,560</u>	<u>12,486</u>	<u>3,560</u>	<u>12,486</u>
	<u>3,613</u>	<u>12,537</u>	<u>3,613</u>	<u>12,537</u>

The capital commitments relate to purchase of equipment and machinery to enhance production capacity, operational efficiency and product quality.

21. CONTINGENT LIABILITIES

The company is currently involved in a number of legal cases. However, no provision has been made in these financial statements because in the opinion of the directors, the amounts which are probable to be incurred by the company in the event that it lost the related cases are not likely to be material.

22. RETIREMENT BENEFITS

All eligible employees of the company are members of the National Social Security Fund of Tanzania (NSSF) or Parastatal Pension Funds (PPF), in which the company contributes 10% and 15% and the employee contributes 10% and 5% respectively every month. Year 2006 contributions to the funds amounted to TZS 683 M (2005: TZS 492 M).

23. RISK MANAGEMENT POLICIES

The group's transactions involve various financial instruments that arise from its operations and from its sources of finance. Various financial assets and liabilities for example trade receivables, trade payables, other payables and provisions, arise directly from the group's operations. Changing market conditions expose the group to various financial risks and have highlighted the importance of financial risk management as an element of control for the group.

Principal financial risks faced in the normal course of the group's business are foreign currency rate risk, interest rates risk, credit risk, price risk and operational risk. The group's financial risk management objectives and policies include the following aspects:

Foreign currency risk

The group has various monetary assets and liabilities in currencies other than the company's functional currency and is exposed to the risk that the value of the financial instruments will fluctuate due to changes in foreign currency rates. The foreign exchanges exposures are reviewed and controlled by management on a regular and frequent basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006

RISK MANAGEMENT POLICIES (CONTINUED)

Credit risk

Exposure to credit risk is managed through regular analysis of the ability of the few credit customers to meet repayment obligations and by taking remedial action where appropriate. The group structures the level of credit risk it undertakes by placing limits on amounts of risk accepted in relation to the customers involved.

Interest rate risk

The group is exposed to the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The interest rate on short term borrowings was negotiated with the Standard Chartered Bank Limited and Citibank Tanzania Limited.

Operational risk

The group is exposed to operational risk which is associated with human error, system failures and inadequate procedures and controls. The group ensures that there is an effective, integrated operational risk management framework that incorporates a clearly defined organisational structure, with defined roles and responsibilities for all aspects of operational risk management that support the identification, assessment, control and reporting of key business risks.

24. FAIR VALUE

The directors consider that there is no material difference between the fair value and carrying value of the group's financial assets and liabilities where fair value details have not been presented.

25. EVENTS SUBSEQUENT TO THE YEAR END

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

26. INCORPORATION

The company is incorporated and domiciled in Tanzania.

27. ULTIMATE PARENT COMPANY

The holding company is J T International Holding BV, a company domiciled in the Netherlands. The ultimate parent company is Japan Tobacco Inc., a company incorporated under the Commercial Code of Japan pursuant to the Japan Tobacco Inc. Law.

28. CURRENCY

The financial statements of the subsidiary company are presented in Kenya Shillings being the functional currency of the primary economic environment in which the entity is incorporated and domiciled. For the purpose of the consolidated financial statements, the results and financial position of the group are presented in millions of Tanzania Shillings (TZS Million), which is the functional currency and the presentation currency for the company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 42nd Annual General Meeting of the Members of Tanzania Cigarette Company Limited with respect to the year ended December 31, 2006 will be held at the Movenpick Royal Palm Hotel, Dar es Salaam, Tanzania, on Thursday, April 12, 2007 at 11.00 hours.

AGENDA:

Confirmation of the minutes of the previous annual general meeting.

Matters arising.

Adoption of accounts:

To receive, consider and adopt the directors' report and accounts for the financial year ended December 31, 2006.

To adopt the declaration of dividend.

To appoint the auditors for the next financial Year.

Resignation and appointment of directors.

Remuneration of the directors.

Any other business.

Notes:

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.

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 Wednesday, April 11, 2007.

BY ORDER OF THE BOARD

Vintan Willgis Mbiro
COMPANY SECRETARY
March 9, 2007

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 Thursday, 12 April, 2007, at the Movenpick Hotel, Dar es Salaam, or at any adjournment thereof.

As witness my/ our hand/s this.....Day of.....2007.

.....
(Signature)

Note:
Affix Revenue Stamp of Tshs. 500/=
If the member is a corporation, the Proxy must be either under seal or under the hand of an officer or attorney duly authorized.



